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Effect of Changes in Earning on Stock Prices of Listed Healthcare Sector of the Nigerian Stock Exchange

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ABSTRACT

Nowadays, information on stock price movement has become paramount in making an investment decision; and a good knowledge of the factors that determine stock prices and the ability to predict stock prices are added advantages in the developing economies. Therefore, this study seeks to determine the impact of earnings on the stock price of healthcare firms in Nigeria. The study relied on the linear panel modeling approach of fixed effect and random effect while the Hausman test was applied for the model selection. The panel data set used for the study was sourced from the NSE annual fact book for the periods 2011 to 2020. The result of the random effect model estimated revealed that earnings per share (EPS), dividend yield (DDY) and firm size (FSZ) have no significant impact on the stock price of healthcare firms in Nigeria. The only exception is book value per share (BVPS) which is positive and had a significant impact on the stock prices of healthcare firms in Nigeria at the 0.01 significant levels. This study, therefore, concludes that BVPS is the perfect predictor of stock price movement in the healthcare sector. As a result, the study recommends among other findings that Book Value per Share should be considered when making investment decisions in the healthcare firms in Nigeria.

***KEYWORDS:** Earnings, Stock price, Dividend Yield, Book Value per share, firm size and Developing Economy*

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INTRODUCTION

Earnings are one of the important variables that are obtained from corporate financial information. As accounting information, it serves as the foundation for an investor's decision-making process. Thus high-quality accounting information is essential for capital markets to function efficiently. The atmosphere in which capital formation sprouts, grows, and, tragically, withers is created by accurate and relevant financial information (Atuilik & Salia, 2018). This accounting information are either reported in the financial statements or are derived from information contained in the financial statements.

Consequently, the prices of shares in the capital markets react to information about firms' activities and global events apart from global events. For instance, Covid-19 pandemic and its attendant disruptions affected every aspect of the society including the prices of shares. Thus many companies across the globe experienced a decline in stock prices following series of lockdown to contain the spread of the virus and its attendant effect on the financial resources of investors (Raifu, Kumeka&Aminu, 2021). Meanwhile, investment decisions about stock should be made by analyzing the factors that can influence share price (Rahman & Liu, 2021).Investors require information in order to decide whether the shares they purchased will benefit them. One of the most important pieces of information for investors to be aware of is a company's financial situation. Measurement of stock prices or company value is influenced by many variables prominent of which is the number of firms' earnings (Susanto et al, 2021).

In developed economies, the relationship between accounting information and stock price is extensively documented. However, in emerging nations, the relationship between share prices and accounting information provided by earnings has received little attention. Meanwhile, given globalization and its attendant cross border investment, such emerging markets should attract the attention of investors looking for new investment options after diversifying their portfolios with stocks trading in developed markets. Also, diversity of research results among the few extant literatures from developing countries on the link between earnings and share prices stimulates further research and hence provided justification for this study.

This study is of great benefit as the economic progress of a country can be seen in the existing capital market activities. Capital markets play an important role in the development of the country's economy that encourages the capital formation and sustains economic growth. The development of efficient capital markets will further enhance the confidence of domestic and foreign investors in investing in the capital market.

Statement of Problem

Firms generally disclose their operational information through financial reports an interim or annual basis. Information so disclosed according to Menicucci and Paolucci (2018) will probably facilitate the stock market in better identifying the driving elements of corporate value or share price. The level of information disclosed about a firm would be significant in understanding future of the firm and estimating the future activities and consequently the value of the firm (Rusdiyanto & Narsa, 2019). Thus investors use accounting information about past company earnings as an important input in predicting future earnings which can then be used as a basis for predicting stock prices and dividends for the company in the future. Specifically, Martani, and Khairurizka (2009) noted that information in the financial report can help investors in making an investment decisions, predict a firm's future performance and give early warning about the slowdown of a firm's financial condition.

However, the share price does not always prove that all information in the financial statements is attractive to investors and is therefore not always predictive of share prices in the future (Nugraha & Riyadhi, 2019).In the view of Dang, Nguyen, and Tran (2020) the value of a company's stock is determined not only by current earnings but also by its future performance forecasts and earnings reliability assumptions. As is widely known, even information releases that cause stock price increases may not necessarily suggest societal desirability due to the potential redistributive effect of information. Little wonder Rusdiyanto, and Narsa (2019) observed that the phenomenon of the share price changes in the capital market arises because there are often differences in opinion regarding the direction of a company's profitability. Researchers like Martani, Sinaga, and Syahroza (2012) noted that information asymmetry between owners and investors can affect the prices of shares. The more existing shareholders want to buy more or keep shares, the share prices will increase. On the other hand, if the number of investors who wish to sell or release shares increases, the share price will decrease. Continuing they noted that the pricing of shares sold in the primary market during an initial public offering is predetermined, whereas prices in the secondary market are decided by market forces such as demand and supply.

Antono, Jaharadak, and Khatibi, (2019) opined that variables such the world oil price, inflation, exchange rate, and political affairs, are responsible for fluctuations in share prices apart from information about firms' activities. Notwithstanding, Antono et al. (2019) assert that an increase in the share prices has an impact on increasing investors' interest in investment which will lead to growth in an economy such that government would not need to increase the country's debt if public investment awareness were high.

The ability to deduce the relevance of financial information from capital market evidence is clearly limited. This does not, however, mean that evaluating the value of earnings and other financial data should be abandoned entirely. Given the extensive interest in earnings as a performance measure, determining the efficacy of earnings, the principal product of financial disclosure laws, is obviously critical. Thus there are much researches on the value of accounting information (both annual and interim reports). Some studies look at how accounting information can help anticipate a company's future financial success, such as profitability and growth, while others look at how accounting information affects the share price. This study relates directly to the last category by specifically investigating the effect of earnings on the share prices of firms in Nigeria.

There have been a number of value-relevance studies on accounting information such as (Hellstrom, 2006; Camodeca, Almici, & Brivio, 2014; Olugbenga & Atanda, 2014; Badu & Appiah, 2018; Muniroh & Yuliati, 2021; Rahman & Liu, 2021). Significant research also exists specifically on value relevance of earnings as accounting information. That is,a link between earnings and share prices (Collins, Maydew & Weiss, 1997; Charitou, Clubb & Andreou, 2000; Filip & Raffournier, 2010; Rusdiyanto & Narsa, 2019; Mirza, Malek & Abdul-Hamid, 2020; Susanto et al, 2021) the results of these studies have agreements and disagreements because of employing different techniques and measurements. Thus research in this field is still considered an interesting problem to study because of the inconsistency of the results of previous researche. It is important to emphasize that Value relevance studies in the view of Camodeca et al (2014), could so be identified as the explanatory power of accounting variables, such as earnings or other relevant variables selected by other authors.

Despite the significant number of extant studies on the value relevance of earnings accounting information from developed countries, there is a limited study with current data from Nigerian Stock Exchange as an emerging economy, Meanwhile, given globalization and its attendant cross border investment, such emerging markets should attract the attention of investors looking for new investment options after diversifying their portfolios with stocks trading on developed markets. Thus, it is unclear whether firms' earnings cause stock price variations among the quoted firms in Nigeria which points to the need for further studies. And again, there is no known study to the best of the researchers' knowledge which has examined the influences of changes in earnings on stock prices in Nigeria with reference to firms quoted under the Health Care Sector of the Nigerian Exchange. This provides justification for the study on the effect of changes in earnings on stock prices of listed Health Care Services Companies in Nigeria.

To achieve this purpose, the study will adapt and modify the model of Bassey, Idaka, and Godwin (2016) to include some new variables such as dividend yield, book value per share and firm size. This could help to predict the effect of changes in earnings on firm's stock prices in Nigeria.

Objectives of the Study.

The main objective of this study is to determine the effect of changes in earnings on stock prices of listed Health Care Services Companies in Nigeria. The specific objectives include to:

1. determine the effect of Earning Per Share on Firms Stock Prices in Nigeria
2. examine the effect of Dividend Yield on Firms Stock Price in Nigeria
3. Ascertain the effect of book value Per Share on Firms Stock Price in Nigeria.

Research Questions and Research Hypotheses

They are in line with the specific objectives

Review of the Related Literature

Conceptual Framework

Firms Earnings

Firms Earnings according to Mohammad (2018), is an ultimate measure of the money a company makes, which is often evaluated. It's a profit that a company produces in a specific period. The Earnings report is released four times per year and a growing earnings are a good indication that a company is on the right path to providing a solid return for investors. As noted in the study of Eniola and Akinselure (2016), investors care about earnings because it ultimately drives stock prices. Strong earnings generally result in the stock price skyrocketing and vice versa.

Determinants of Firm's Earnings

Earnings per Share

Earnings Per Share is considered as the most important catalyst in determining share price and firm value. Earnings Per Share shows how much money a company makes for each share of its stock (Islam,Khan, Choudhury & Adnan,2019). Earnings Per Shares (EPS) is a ratio that measures the success of management in achieving profits for shareholders. Lower Earnings Per Shares (EPS) means that management has not managed to satisfy the shareholders while a high EPS means that management has worked to increase shareholder's wealth (Kashmir, 2016).

Earnings Per Shares (EPS) is one of the ratios that regular use in the prospectus, material presentation and report yearly to the holders of shares which is profit net reduced dividend (profit available to holders of ordinary shares) divided by the average weighted of shares ordinary that circulate will generate earnings per share. So, Earning Per Share (EPS) is the amount of income that is earned in the period for each outstanding stock. The most commonly used measuring instrument is Earning Per Share, (Irham & Fahmi, 2017).

Dividend Yield

The dividend yield or dividend-price ratio of a share is the dividend per share, divided by the price per share. It is also a company total annual dividend payment divided by its market capitalization, assuming the number of shares is constant (Adams & Media, 2014).

The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price (Little, 2020).

Another name for dividend yield is the price/dividend ratio. A high dividend yield, however, may not always be a good sign, since the company is returning so much of its profits to investors (rather than growing the company.) The dividend yield, in conjunction with total return, can be a top factor as dividends are often counted on to improves the total return of an investment (Eriabie & Egbide, 2016).

It is considered a sign of clear financial health and confidence for a company to pay out dividends, which are usually independent of the share price. It's a financial ratio that represents the dividend income per share, divided by the price per share. Dividend-paying stocks are very popular with investors because they provide a regular, steady stream of income. Dividend yield is another way to determine investment income. This represents the ratio of a company's current annual dividend compared to its current share price. When the dividend remains the same if the share price drops, the dividend yield rises. The yield will fall if the stock price rises. The dividend yield is quoted as a percentage rather than a naira amount by taking the annual dividend, dividing it by the share price, and multiplying that number by 100 (Uniamikogbo, Ezennwa, & Bennee, 2018).

Net Asset Per Share

The Net Asset Value Per Share (NAVPS) is a metric used to assess the value of a real estate investment trust (REIT), and it indicates the worth of one share of a mutual fund or exchange-traded fund.it is obtained by dividing the net asset value of a mutual fund by the number of outstanding shares. in this case, the asset may include the market value of a fund's investments, cash and cash equivalents, accrued income, and accounts receivables, whereas the liabilities equal the sum of long-term and short-term liabilities, and accrued expenses such as utility costs and staff salaries (James, 2011).

The net asset value of a mutual fund changes daily, because the value of assets and liabilities changes every day. The number of outstanding shares also changes constantly, as investors redeem their shares, and new investors buy new shares. The net asset value performs similar functions as the stock price, as it represents the worth of one share of a mutual fund or an ETF (Kent, 2009).

Share Price.

A share price is the price of a single share of a several saleable stocks of a company, derivative or other financial asset (Ehrhardt, Michael, Brigham & Foster, 2010). 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 (Coleman & Robert, 2006). There are two main types of stocks: common stock and preferred stock.

Theoretical Framework

The theoretical framework gives the meaning of a word in terms of the theories on firm's earnings such as Agency Theory and Bird in Hand Theory. It assumes both knowledge and acceptance of the theories that this research work depends upon.

Agency Theory

Agency theory was propounded in the year 1976 by Jensen and Meckling. The theory suggested how the governance of a company is based on the conflicts of interest between the company's owners (shareholders), its managers, and major providers of debt finance.

The agency cost theory suggests that firms' dividend policy and earnings are determined by agency costs arising from the divergence of ownership and control. Managers may not always adopt a dividend policy that is value-maximizing for shareholders but would choose a dividend policy that maximizes their own private benefits. Making dividend payouts from firm's earnings which reduces the free cash flows available to the managers would thus ensure that managers maximize shareholders' wealth rather than using the funds for their private benefits (DeAngelo & DeAngelo, 2006). In the process of attracting new equity, firms are subject to the monitoring and disciplining of these markets.

The theory views the firm as a nexus of contracts between various economic agents who act opportunistically within efficient markets. Management act as the agent of the corporation and the shareholders are the owner (principal) of the corporation. Shareholders are always expecting the agents to act in the interest of the principal. Unfortunately, in circumstances, the agents may act in their self-interest and fall short of congruence between the principal and agents.

The theory highlighted that there will be a conflict when the managers did not manage the corporations in the best interest of the owners. The theory offered the idea that managers used the company's information to satisfy or manipulate influential stakeholders in order to gain their support which was required for survival.

Theoretical Exposition

Bassey, Idaka and Godwin (2016) examined the effect of corporate earnings on share price of selected oil and gas firms in Nigeria, the study noted that there is a positive correlation and significant relationship between Earnings per share, Price earnings ratios, Dividend per share and Shares price of the selected oil and gas companies in Nigeria. Also, Arslan and Zaman (2014) analyze the effect of dividend yield and price earnings ratio on stock returns in Pakistan and the research findings show that price earnings ratio and size of the firm have a significant and positive impact on stock prices. The dividend yield on the other hand has a significant and negative relationship with stock prices.

Hassan, Hasan, and Haque (2017) examine the relationship between share prices and the value-relevance of accounting information and the results of the study show that both earnings per share (EPS) and Book Value (BV) have significant effect in determining share prices.

Ordu, Enekwe, and Anyanwaokoro (2014) examined the effect of dividend payment on the market prices of shares in Nigeria. The findings of the study suggest a positive effect exists between market price per share and dividend per share confirming that a rise in dividend per share brings about an increase in the market price per share of quoted firms. Dividend yield also does not have a significant positive effect on the market prices of shares of quoted firms in Nigeria, rather a direct relationship exists between market prices per share and the dividend payout ratio of selected firms on the NSE.

Uniamikogbo, Ezenwa & Bennee (2018) examined the influence of accounting information on stock prices volatility in Nigeria and the results indicated that earnings per share and dividend per share has a negative significant influence on stock prices while the book value per share has a positive and significant influence on stock prices in Nigeria. This agrees with the apriori expectations of Islam, Khan, Choudhury and Adnan (2019) who investigated the effect of earning per share (EPS) effects on share price and firm value. The study established that share price does not move as fast as the EPS moves and that share price movement depends on micro and macro-economic factors in the economy.

Lutfi and Arsitha. (2016) examined the analysis of factors affecting price earnings ratio on the company shares registered in Jakarta Islamic Index. The results of the study showed that Total Assets and Debt to Equity have significant effects on the Price Earnings Ratio of the shares of registered companies while the Dividend Payout Ratio has no effect on the Price Earnings Ratio on the shares registered in Jakarta.

AI-Qaisi, Tahtamouni and AL-Qudah (2016) investigate the effect of return on asset (ROA), return on equity (ROE), debt ratio, the age of the company, and the Size of the Company on themarket stock price. The result shows that there is a significant relationship between ROA, Debt Ratio, the Age of the Company, and the Size of the Company) and a market stock price of insurance companies listed on Amman stock exchange and there is no significant effect between ROE and market stock price in these insurance companies.

Nalurita (2019) investigated the impact of earnings per share on the market prices, price earnings ratio and Price to book value in the property and real estate listed in Jarkata stock Exchange. The result of the study shows that there is a positive relationship between earnings per share and market price per share and such does not exist with the market ratio.

Purnamawati (2016) examines the effect of firm's profitability on stock prices and the results of the study show that profitability has an effect on the stock price. This aligns with the findings of Alroaia, Abadi and Khosravani (2012) who found a positive and significant relation between stock return and price earnings ratio. Dehavi (2011) also noted that there is a positive and significant relationship between earnings per share and stock price while dividends per share and price to earnings ratio, on the other hand, have a negative significant impact on the stock price of the said company.

Emamgholipour (2013) reported that earnings per share have a significant and positive impact on stock return and price to earnings ratio while market value to book value ratio have negative and significant impact on stock return. Karami and Talaeei (2012) observed that price earnings ratio, ratio of book value to market value has a significant impact on stock return and the study also indicated that capital gain and dividend yield have significantly affected by stock return.

Khan (2012) on the same note reported that dividend yield and earnings yield ratios have a direct positive relationship with a stock return while the book value to market ratios have a significant negative relationship with stock return. This agrees with the study of Prabath and Menike (2014) whose study revealed that EPS and DPS had a positive and significant impact on the stock price.

Mgbame and Ikhatua (2013) also reported that DPS, EPS, and BVPS have a significant and positive impact on the stock price. Also, Nazir (2011) found a significant and negative relationship between dividend yield, dividend pay-out ratio and stock prices. This is not in agreement with the study of Nawaz (2010) who found that dividend yield and pay-out ratio has significant impact on the share price volatility.

Shehzad and Ismail (2014) established that stock prices get affected by earnings per share and book value per share, the study also suggested that there is a strong and negative correlation between earnings per share and book value per share. Also, Zeytinoğlu (2012) found that EPS had a significant impact on the stock price. The study also reported that price to earnings ratio and market to book ratio had a significant impact on stock prices.

Mokaya, Nyang'ara, and James (2013) examined the effect of dividend policy on market share value and the study revealed that dividend policy had a significant effect on the market share value. This aligns with the study of Al- Hasan, Asaduzzaman, and Al Karim (2013) whose results showed that dividend policy has significant effect on market share price.

Empirical Review

Bassey, Idaka, and Godwin (2016) examined the effect of corporate earnings on the share price of selected oil and gas firms in the Nigerian Stock market from 2004-2013.An ex-post facto research design was adopted for the study. Data were collected from the Nigerian stock exchange fact book and published annual reports of the various companies through manual and online retrieval methods. Individual analyses of data were conducted and using the multiple regression technique data was analyzed as a pool. The findings show that there is a positive correlation and significant relationship between Earnings per share, Price earnings ratios, Dividend per share, and Shares price of the selected oil and gas companies in Nigeria.

Arma (2018) examine the effect of earnings per share and firm size on stock price. The firm's consist of the 45 best stocks (LQ45 index companies) that are listed on the Indonesian Securities. The purpose of the study was to determine the effect of earnings per share and the firm size on stock prices and also to show that the size of the firm can affect the relationship between earnings per share and stock prices. Regression analysis was employed, and the evidence shows that earnings per share and firm size have a significant effect on stock prices. The size of the firm is also able to moderate the relationship between earnings per share and stock prices. The results of this study gave evidence that profit and the size of the company can provide important information for investors in making decisions.

Robbetze, Villiers, and Harmse (2017) examined the Effect of Earnings Per Share Categories on Share Price behavior, Some South African Evidence. The study aims to discover which EPS category is best when associated with share prices noting that three forms of EPS exist in the Johannesburg stock exchange which is basic, diluted, and headline EPS. Data were selected from 40 top companies in the stock market that formed the sample of the study. An empirical analysis design was adopted to determine the relationship between different categories of EPS and share prices for the period 2005 to 2013. It was seen that basic EPS correlated best with the changing behavior of share prices. Also, the study shows that headline EPS proved to deliver lower correlation coefficients than other EPS categories.

Hassan, Hasan, and Haque (2017) examine the relationship between share prices and the value-relevance of accounting information. The sample size of 93 companies was selected from the Dhaka Stock Exchange (DSE), Bangladesh from six broad industries or sectors. The basic Ohlson (1995) valuation model was employed for the analysis. The model test for the adjusted (R^2) and estimated regression coefficients of accounting variables. the result shows that both Earnings per Share (EPS) and Book Value (BV) have a significant effect in determining share prices. Testing the effect of EPS and BV individually to determine share price shows that the EPS played a considerable role in projecting share prices more than the BV, this shows that EPS has become very informative to equity investors in predicting the share prices.

Uniamikogbo, Ezenwa, and Bennee (2018) examined the influence of accounting information on stock prices volatility in Nigeria. A cross-sectional research design technique was used in the study, and relevant data were generated from the annual report and accounts of twenty-two selected companies. The study covered the period from 2013 to 2017 and the data generated were analyzed using the ordinary lease square technique. The result indicated that earnings per share and dividend per share has a negative significant influence on stock prices while the book value per share has a positive and significant influence on stock prices in Nigeria.

Islam, Khan, Choudhury, and Adnan (2019) investigated the effect of earning per share (EPS) effects on share price and firm value. The purpose of the study is to provide empirical evidence on how EPS affects the share price movement. Data were collected and analyzed from 22 scheduled banks out of 110 banks selected as the population of the study and was found that share price does not move as fast as the EPS moves and that share price movement depends on micro and macro-economic factors in the economy.

Bratamanggala (2018) examined factors affecting Earning per Share: The Case of Indonesia and if financial factors such as Return on Assets, Price to Book Value and Debt Equity Ratio have any influence on the Earning Per Share. The study centered on the manufacturing sector of the economy. Eleven companies were selected from indexed companies in the Indonesian Stock Exchange. Data were collected via secondary data obtained from the financial documents of the companies participated in the sample. The collecting method is documentation of financial statements, annual financial statements and publications reports of ROA, PBV, DER and EPS of real estate manufacturing companies. The results of the research showed that there is an influence of Price to Book Value on Earning per Share as well as on Debt Equity Ratio to Earning per Share.

Ilmiyono. (2019) investigated the Effect of ROE, ROA and EPS toward Stock Prices in Companies sub Sector Construction and Buildings Listed in Exchange Indonesia Effect (IDX). The purpose of the study was to analyze how much influence ROE, ROA, and EPS both partially and simultaneously have on stock prices in the Construction and Building Sub Sector Companies listed on the Stock Exchange in the 2013-2017 periods. The analytical method used for quantitative analysis was verification. Data were tested using E-views 10 with panel data regression analysis test, classic assumption test, and hypothesis testing. Samples were selected using the purposive sampling method. The results showed that partially ROE and ROA variables had a significant effect on stock prices while other variables such as EPS had no significant effect. Simultaneous test results, namely ROE, ROA, and EPS together have a significant effect on stock prices.

Lutfi and Arsitha. (2016) Studied the Analysis of Factors Affecting Price Earnings Ratio on the Company Shares Registered in Jakarta Islamic Index. Their purpose was to find out and analyze the effect of factors affecting the price earnings ratio on the shares registered in the Jakarta Islamic Index. Secondary data was used for the work and this data was collected from 48 observations as samples obtained based on certain criteria. The data were tested and analyzed using F-Test (Simultaneous Test), T-Test (Partial Test). The results showed that, partially, the Total Assets and Debt to Equity have significant effects on the Price Earnings Ratio of the shares of registered companies while the Dividend Payout Ratio has no effect on the Price Earnings Ratio of the shares registered in Jakarta.

AI-Qaisi,Tahtamouni and AL-Qudah (2016) investigate the effect of Return on Asset (ROA), Return on Equity (ROE), Debt Ratio, and the age of the Company, and the Size of the Company on the market stock price. Twenty insurance companies listed in Amman stock exchange during the period 2011 to 2015 were used. Simple and multiple linear regression was used for data analysis and the result shows that it is a significant between ROA, Debt Ratio, the Age of the Company, and the Size of the Company) and a market stock price of insurance companies listed in Amman stock exchange and there is no significant effect between ROE and market stock price in these insurance companies.

Nalurita (2019) investigated the impact of Earnings per Share on the Market Prices, Price Earnings Ratio, and Price to Book Value in the property and real estate listed on the Jarkata stock Exchange. The work covers a period of seven years from 2009 to 2015. Panel data regression was employed. The result shows that there is a positive relationship between earnings per share and market price per share and such does not exist with the market ratio.

Purnamawati (2016) examines the effect of capital structure and profitability of the stock prices, the impact of capital structure on stock price, the effect of profitability on stock price and the impact of capital structure on profitability in the manufacturing sector of Indonesia's stock exchange from 2010-2013.The sample size of 68 companies with an audited published financial statement in the stock market were use purposive sample technique was employed, data were analyzed using path analysis. Secondary data were used. The result shows that capital structure

Further to the above, Eniola and Akinselure (2016) employed 25 quoted companies in Nigeria to investigate the relationship between Earning per share and Dividend policies. The data covered a time frame from 2004 to 2013. Two simple regression models were developed using two dependent variables as Dividend yield ratio and Dividend payout ratio respectively; and Earnings per share as the independent variable. The result of the Ordinary Least Square (OLS) Regression analysis method carried out showed a significant relationship between dividend and market value.

In Kenya, Kibet, Jagongo, and Ndede (2016) used a sample of 55 listed firms in the Nairobi Securities Exchange covering five-year time series from 2001 to 2011. The core objectives examined the effect of dividend policy (cash and share dividend) on the stock prices using equity Market Price as the dependent variable and the independent variables as cash dividend and share dividend. A panel result obtained from Ordinary Least Square regression indicated a positive relationship between the cash dividend and share prices, and an insignificant negative relationship between share dividend and share prices.

Methodology

Research Design

The study adopted the ex-post facto research design. The reason for this is because the study wants to examine the causal effect relationship that exists between dependent and independent variables using the data that already existed and which the study will make no attempt to change its nature and value. The secondary data used for this work was sourced from the Nigeria stock exchange Fact Book from 2011 to 2020.

Area/ Popu;ation of the Study

The study was carried out in Nigeria with a view to examine the effect of changes in earnings on stock prices of listed Health Care Firms in Nigeria. The population of the study covered the entire 6 quoted Health Care firms on Nigeria Stock Exchange. It ranges from Morison Industries Plc, Fidson Healthcare Plc, GlaxoSmithKline Consumer Nig Plc, May & Baker Nigeria Plc, Neimeth International Pharmaceuticals Plc, Pharma-Deko Plc. This work concentrated on quoted Health Care Firms in Nigeria as the previous researchers concentrated on other sectors other than the health sector.

Method of Data Collection

The study used pool of data that covered a period of 10 years (2011-2020). This is a period in which International Financial Reporting Standards (IFRS) was fully adopted in the nation. The period shall be adopted to draw up a reliable conclusion. The study is composed of 6 firms quoted on Health Care Sector of NSE. The estimated depth of analysis is 300 data volume which comprises number of quoted firms in the Health Care Sector of NSE (6), number of years covered (10yrs), number of variables (5), number of observations (60) and number of models (1)

Estimated Depth of Analysis

Note (6 firms * 10 years = 60 observations)
Dependent Variable= 1
Independent Variable= 3
Control Variable= 1
Total = 5
5 variables * 60 observations= 300
300* 1 models= **300 estimated data volume**

The nature of the study necessitated the use of secondary data. It is worthy to note that data for our dependent variable; Stock Price (SHP) and independent variables Earnings Per Share (EPS), Dividend Yield (DDY), Book Value Per Share (BVPS) and Firm size (FSZ) will be obtained from the Nigerian Stock Exchange Factbook and Annual Reports and Accounts of the sampled firms for the relevant years.

Method of Data Analysis

This study makes use of secondary data sourced from the Nigerian Stock Exchange factbook and ranges from 2011 to 2020. The panel linear regression model estimation techniques of common effect, fixed effect, and random effect were considered in this study. However, the Hausman test was applied for the selection of the most appropriate model among the three linear model estimation techniques. Similarly, pre-estimation test like the descriptive statistics, correlation analyses, variance inflation factor (VIF) and cross-sectional dependence, were conducted to be sure there is no outliers in the data generating process. The analysis was performed with STATA Version 16 and Eviews 9.0.

Model Specification

In line with the previous research, this study adopted and modified the Model of Bassey, Idaka and Godwin (2016) in determining the effect of changes in earnings on the firm's stock prices. As stated by Bassey, Idaka, and Godwin (2016):

$$SP = F(EPS, PER, DPS) \quad (1)$$

Where SP is the Stock price, EPS is the Earnings per share, PER is the price earnings ratio and DPS is the dividend per share.

By modifying equation (1) in line with the variables of interest in this study, the resultant functional equation is stated below:

$$SHP = F(EPS, DDY, BVPS, FSZ) \quad (2)$$

The econometric form of the regression suggested for this study is expressed thus:

$$SHP_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 DDY_{it} + \beta_3 BVPS_{it} + \beta_4 FSZ_{it} + \mu_{it} \quad (3)$$

Where SHP is the stock price, EPS is the earnings per share, DDY is the dividend yield, BVPS is the book value per share and FSZ is the Firm Size. β_0 represents the intercept of the regression model while β_1, β_2, β_3, β_4, are the vector of coefficients of the independent variables. μ is used to represent the error term which accounts for variables that influence the dependent variable but are not included in the model. The subscript i and t denote the cross-sections and periods, respectively.

Equation (3) is a typical example of a common effect model which is very well known to suffer from a major drawback, and that is the fact that it does not take into account the individual heterogeneity of the panel. Hence, it may not be the best fit for our analysis; as a result, the fixed effect model shall be included to address this problem associated with the common effect model. This fixed effect model is stated as follows:

$$SHP_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 DDY_{it} + \beta_3 BVPS_{it} + \beta_4 FSZ_{it} + \omega_i + \mu_{it} \quad (4)$$

Equation (4) is the fixed effect model where all the variables remain as previously defined only that there is a new variable (ω) introduced to take care of individual heterogeneity across the panel. More so, even though the fixed effect is known to take care of the problem of individual heterogeneity in the panel which the common effect failed to take care of, it is still plagued with a problem on its own and that is its inability to take into account variables that are time-invariant of the panel. As a result, the random effect model is introduced to take account of the time-invariant variables of the model. Therefore, the random effect model is stated as follows:

$$SHP_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 DDY_{it} + \beta_3 BVPS_{it} + \beta_4 FSZ_{it} + \omega_{it} + \mu_{it} \quad (5)$$

Here, ω_{it} represent the between error term while μ_{it} is the within error term in the model. The rest of the variables remain as previously defined.

Thus, this study will consider the fixed effect and random effect models i.e equations (4) and (5) for estimation purposes while the hausman test will be applied to select from both the most appropriate between them.

Data Presentation and Analysis

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
SHP	60	6.439	12.81692	.49	68
EPS	60	.3936667	1.284641	-1.49	7
DDY	60	3.080167	7.086896	0	51.72
BVPS	60	4.538333	4.802528	-10.73	17.85
FSZ	60	6.673	.5809732	5.59	7.5

Table 4.1 shows the result of the descriptive statistics which revealed that the mean stock price (SHP) was 6.439 naira while the minimum and maximum stock prices were 0.49 and 68 naira, respectively. This portent that some of these firms have stock that is highly valued but others have low valued stock, and this can be attributed to so many factors ranging from firm attributes such as age, size, and product types; to the firm's annual performance record over time. This outcome is further validated by the standard deviation which stood at 12.81692, indicating that there are significant variations in stock price among the firms in Nigeria's industrial goods sector as indicated by the firms considered in this study. Similarly, the average earnings per share (EPS) is less than one (0.3936669) whereas the minimum and maximum were -1.49 and 7 naira, respectively. This implies that while many of these firms made significant earnings from each individual share traded the rest of the firms recorded losses at the rate of 1.49 naira. Although the loss may not be firm-specific it could across the years depending on the business peculiarity for each year. Hence, a firm with the profit for a particular year may record loss for the other years. The standard deviation shows a significant positive move above the mean value which is an indication that the positive earnings outweighed the negative earnings among the industrial goods firms in Nigeria for the periods considered in this study. Furthermore, the result shows that based on the average, maximum and minimum values that dividend yield (DDY), the majority of the firm considered in this study had reasonable dividends for the period of this study. Going by the standard deviation for DDY (7.086896), we can infer that very few of these firms recorded outstanding DDY during the study period, as revealed by the maximum value of 51.72 naira. The average book value per share (BVPS) of the industrial goods firms in Nigeria considered in this study was 4.538333 while the minimum and maximum values were -10.73 and 17.85, respectively. The standard deviation which is approximately equal to the mean value points to the fact that the negative and positive BVPS across firm falls within the same scale or margin. There seems to be no outstanding difference in the firm size across the panel as revealed by the mean, minimum and maximum values but the standard deviation tells a different story. Going by the standard deviation, these firms differ significantly in size.

Table 4.2: correlation Matrix

	SHP	EPS	DDY	BVPS	LTA
SHP	1.0000				
EPS	0.4663	1.0000			
DDY	0.0824	0.0085	1.0000		
BVPS	0.5859	0.5136	0.1225	1.0000	
FSZ	0.4551	0.3294	0.3082	0.4870	1.0000

Table 4.2 is the result of the correlation test seeking to ascertain if there is a reasonable relationship between the dependent variable (SHP) and the explanatory variables (EPS, DDY, BVPS, FSZ). Although, this can also be used to check for multi-colinearity among the explanatory variables our focus here is on the relationship between the dependent and explanatory variables which will be the justification for regressing the said variables for the purpose of verifying the existence of cause and effect relationships. For the multi-colinearity, the variance inflation factor (VIF) test will be later applied for that purpose as that seems to be the most robust test compared to the correlation matrix. Based on the result shown in table 4.2, EPS, BVPS and FSZ have reasonable relationship with the dependent variable (SHP) and because these correlation values are approximately 50% for each of them, we can conclude that a somewhat strong correlation exists between each of them and SHP. The only variable having weak correlation with the dependent variable is DDY, with a correlation value of 8%, indicating the existence of very weak relationship.

Table 4.3: Variance Inflation Factor (VIF)

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
EPS	1.476367	1.519722	1.387243
DDY	0.039065	1.331701	1.117102
BVPS	0.122263	3.063648	1.605569
FSZ	7.559861	196.3701	1.452850
C	310.3692	179.7102	NA

Table 4.3 shows the result of the variance inflation factor test which revealed that among all the explanatory variables of this study that there are no colinearity problems just as the centered and uncentered VIF indicated. The exceptions are the control variable (FSZ) and constant term which has an uncentered VIF value of 196.3701 and 179.7102, respectively, but are no reason for worry. Normally, a VIF value of less than or at most equal to ten (10) is acceptable, anything more than that is an indication that an outlier is present i.e, that the variable (s) concerned is suffering from the problem of colinearity. It is noteworthy that the problem of multi-colinearity concerns the explanatory variables and not the independent variable. With this outcome, we now proceed to check for cross-sectional dependence in the panel.

Table 4.4: Cross Sectional Dependence

Null hypothesis: No cross-section dependence (correlation) in residuals

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	20.68739	15	0.1471
Pesaran scaled LM	-0.057074		0.9545
Pesaran CD	0.692401		0.4887

Hausman test

hausman fixed random

---- Coefficients ----

	(b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
EPS	1.699158	1.989326	-.290168	.7380906
DDY	-.0325231	-.0573459	.0248228	.1149753
BVPS	1.116092	1.025064	.091028	.1962607
FSZ	4.514362	4.680344	-.165982	1.103728

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)

= 0.33

Prob>chi2 = 0.9876

Random Effect Regression Result

R-sq: Obs per group:

within = 0.4212 min = 6

between = 0.2919 avg = 6.0
overall = 0.4120 max = 6
Wald chi2(4) = 38.53

corr(u_i, X) = 0 (assumed) Prob> chi2 = 0.0000

SHP	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]	
EPS	1.989326	1.215059	1.64	0.102	-.3921455	4.370797
DDY	-.0573459	.1976482	-0.29	0.772	-.4447292	.3300374
BVPS	1.025064	.3496609	2.93	0.003	.339741	1.710387
FSZ	4.680344	2.74952	1.70	0.089	-.7086164	10.0693
_cons	-30.05151	17.6173	-1.71	0.088	-64.58078	4.477757

Summary of Findings, Conclusion and Recommendation

Summary of Findings

This study sought to determine the impact of earnings on the stock price of healthcare firms in Nigeria. Based on the result from the random effect model the following findings emerged. Firstly, the study found that earnings per share (EPS) have no significant impact on the stock price of healthcare firms in Nigeria. Similarly, dividend yield (DDY) though negative has no significant impact on the stock prices of healthcare firms in Nigeria. Only BVPS shows a positive and a significant impact on the stock prices of healthcare firms in Nigeria at the 0.01 significant level, indicating that BVPS is the perfect predictor of stock price movement in the healthcare sector. As a result, the BVPS should be considered by investors in the investment decisions with the healthcare firms in Nigeria.Healthcare firms are to give attention to improving their BVPS so as to attract maximum and prompt investment in their stock. Finally, the firm size which was used as the control variable shows no significance at the conventional level of 0.05. Indicating, that the size of firms in the healthcare sector currently does not significantly contribute to the movement in their stock prices.

Conclusion

The impact of the 2008/2009 global financial crisis which impacted shapely on the global financial market was transmitted to the rest of the sectors in the economy. This impact was much felt by the less developed and the developing economies. It resulted in the rampant withdrawal of investment funds from many of these economies due to huge losses accruing to investors. To date, the various sector in these economies is still struggling to recover from the impact of the financial crisis, and the health sector is not left out. Nowadays, information on stock price movement has become paramount in making an investment decision; and a good knowledge of the factors that determine stock prices and the ability to predict stock prices are added advantages in these economies. Therefore, the main objective of this study was to determine the impact of earnings on the stock price of healthcare firms in Nigeria. The study relied on the linear panel modeling approach of fixed effect and random effect while the Hausman test was applied for the model selection. The panel dataset used for the study was sourced from the NSE annual factbook for the periods 2011 to 2020. The result of the random effect model estimated revealed that earnings per share (EPS) have no significant impact on the stock price of healthcare firms in Nigeria. Similarly, the result shows that dividend yield (DDY) though negative has no significant statistical impact on the stock prices of healthcare firms in Nigeria. The only exception is BVPS which is positive and had a significant impact on the stock prices of healthcare firms in Nigeria at the 0.01 significant level. This indicates that BVPS is the perfect predictor of stock price movement in the healthcare sector. As a result, this variable should be considered when making investment decisions in the healthcare firms in Nigeria; this is because it gives the true picture of the movement in the stock price of the healthcare sector in Nigeria.

Recommendation

In line with the findings of this study, it is recommended among other findings that both firms, investors, and the policymakers should consider the movement in Book value per share (BVPS) in their bids to improve the performance of stock price, in the right period to investment and for regulatory purposes, respectively. Anything aside this significant indicator is likely to result in poor market performance for the firm, unprofitable investment for the investors, and inappropriate policy framework for the policymakers in the healthcare care sector in Nigeria.

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