
Accounting Income and Stock Returns of Selected Manufacturing Companies in Nigeria

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AD Scientific Index ID: 46490042

ABSTRACT

This study examines the effect of accounting income on stock returns of selected manufacturing companies in Nigeria over eleven (11) years (2013–2023). The research is motivated by the ongoing debate regarding the relevance of financial performance indicators in influencing investors' decisions, particularly in emerging markets. The main objective of the study is to examine the effect of accounting income on stock returns of selected Manufacturing Companies in Nigeria. Using an ex-post facto research design and secondary data sourced from published financial statements, the study employs Ordinary Least Squares (OLS) regression with the aid of E-Views 13 to analyze the effect of various accounting measures including; Earnings Per Share (EPS) Return on Investment (ROI), Operating Cash Flow (OCF), Return on Equity (ROE), Return on Assets (ROA) and Operating Profit Margin (OPM). The result of hypothesis one revealed a positive coefficient and statistically significant results at a 5% level of significance. The negative coefficient indicates that an increase in EPS results in a corresponding decrease in the stock returns of manufacturing companies. The result of hypothesis two shows a random effects model which examined ROI and stock returns shows a negative coefficient denoting that an increase in investment reduces the stock returns of manufacturing companies and is not statistically significant at 5%. The implication is that investors may not heavily rely on reported financial metrics when evaluating stocks, possibly due to factors such as market inefficiencies, limited investor confidence in financial disclosures, and the influence of macroeconomic and non-financial variables. The study concludes that while accounting income is important for financial reporting and corporate accountability, it may not be the primary determinant of stock performance in Nigeria.

Keywords: Accounting income, stock returns, Return on Investment, Operating Cash Flow, Return on Equity and Return on Assets

1.1 INTRODUCTION

Investing in stocks is now one of the many options available in the modern period that are highly appealing to both local and foreign investors. Gharaibeh et al. (2022) revealed a negative association between net income and share price, but a positive relationship between Earnings per Share (EPS) and stock price. Investors may utilise the study's findings to make investment decisions by paying attention to the company's financial parameters, such as earnings per share and net income. Top-class investors desire stocks as investment vehicles, as well as middle-class and lower-class investors. Gurung and Subedi (2024) revealed that EPS is undoubtedly an important variable, in addition to BVPS and the P/E ratio, to explain the MPS of commercial banks. Adelegan (2023) shows a negative correlation between cash flow and corporate performance. The interests that attract these categories of investors to stock investment are clear laws and easy access within the market for stocks. The interest expenses have a significant influence on the operating profit, and the negative effect can be amplified by decreases in turnover or equity. The effect of this relationship should be anticipated, especially in recession periods of the economy, when a decrease in turnover can appear at the same time as an increase in interest costs (Dumitru, 2022). The anticipation of an elevated rate of return or the acquisition of the business may be the driving force behind an investor's decision to put money into stocks.

One of the most important sources of information for investors is the accounting income, as reflected in the financial statements presented by companies listed on the Nigerian Exchange Group. Stock prices are influenced by various factors such as macroeconomic factors (interest rate, exchange rate, etc.), including accounting income. Accounting income can be measured in various ways. Some of the measures are among the following: earnings per share, return on investment, operating cash flow ratio, return on assets, and operating profit margin. According to Tantri et al. (2022), ROI, ROE, EPS and MVA variables have a significant effect on Stock Return simultaneously. ROI Variable does not have a significant effect on the Stock Return partially. ROE Variable has a positive and significant effect on Stock Return partially. Based on the results of the multivariate regression analysis (fixed effect), Ogundajo et al. (2019) revealed that past dividend, agency cost, debt-equity ratio, and size have a significant positive effect on market capitalisation of listed manufacturing firms in Nigeria; while earnings per share and sales growth have an insignificant negative influence on the value of a firm. Gunanta et al. (2020) suggest that EPS has a significant influence on stock price in manufacturing companies listed on the Indonesia Stock Exchange for the period from 2008 to 2012.

1.2 Statement of the Problem

Accounting income is among the most crucial information sources for investors. The financial statements provided by businesses registered with the Nigerian Exchange Group often include this information. Investors and other interested parties use financial statements and disclosures to assess the risk and value of the company when making investment decisions. Stock prices are influenced by various factors, including accounting income. Accounting

income, such as net income and earnings per share, is supposed to be a key performance indicator used to assess a company's financial health. But the precision as well as reliability of these numbers have been questioned due to various accounting scandals and manipulations. These setbacks have discouraged investors and other interested parties from relying absolutely on accounting information, as it could be seen as cosmetic reporting. This study is to establish that accounting income is still relevant as a signal to investment decisions. Therefore, the study aims to assess the influence of accounting income on stock returns of select Nigerian manufacturing companies by employing a substantial number of the elements not studied by other researchers.

1.3 Research Hypotheses

- H₀₁:** There is no significant influence of Earnings per Share (EPS) on stock returns of selected Manufacturing Companies in Nigeria.
- H₀₂:** Return on Investment (ROI) has no significance effects on stock returns of selected Manufacturing Companies in Nigeria.
- H₀₃:** There is no significant influence of Operational Cash Flow Ratio (OCFR) on stock returns of selected Manufacturing Companies in Nigeria.
- H₀₄:** Return on Equity (ROE) has no significance influence on stock returns of selected Manufacturing Companies in Nigeria.
- H₀₅:** Return on Assets (ROA) has no significance influence on stock returns of selected Manufacturing Companies in Nigeria.
- H₀₆:** There is no significant impacts of Operating Profit Margin (OPM) on stock returns of selected Manufacturing Companies in Nigeria.

CONCEPTUAL CLARIFICATION

2.1 Overview of Accounting Income

Accounting provides a vital service to broad and different users. Investors use financial accounting information for investment decisions; government agencies need it particularly for tax purposes; while regulatory agencies use it to determine whether existing statutory pronouncements are complied with, among others. According to Meyer (1984), accounting plays a significant role within the concept of generating and communicating wealth of companies. Financial statements still remain the most important source of externally feasible information on companies. Accounting in market-based economies has two important roles to play. Firstly, it affords capital providers (shareholders and creditors) the opportunity to evaluate the return potential of investment opportunities (the ex-ante or valuation role of accounting information), and secondly, accounting numbers allow capital providers to watch the use of their capital once committed (the ex-post or stewardship role of accounting as an information system) (Anne et al., 2020). As required by the local entity's legislation and international

legislation, these figures are created and published through financial reporting; thus, they do not clash with local legislation. Adetula et al. (2021) show that there is a significant relationship between accounting information and share prices of companies listed on the Nigerian Stock Exchange.

2.2 Accounting Income and Stock Returns

A key component of financial analysis that interests analysts, investors, and scholars alike is the connection between accounting revenue and stock returns. Accounting income is an important financial indicator that shows how profitable a company is and its overall financial health. Conversely, stock returns are the profits that investors receive on their purchases of a company's stock. The notion that accounting income and stock returns are related stems from the fact that income is a crucial input in investors' decision-making. Investors use financial statements, including income statements, to evaluate a business, forecast future profits, and estimate potential returns on investment. Miar (2020) showed a modest but statistically significant relationship between cash flow ratios and ratios from the income statement and the balance sheet, which in turn correlate with stock returns. As a result, accounting income can significantly influence investor decisions, impacting stock prices and returns.

2.3 Returns on Stock and Earnings per Share

Investors' constant pursuit of a reliable and consistent income stream impacts the selling price for stocks per share by concentrating on possibilities that yield steady returns over time. However, predicting the price of a business's shares is a difficult way to evaluate its financial performance. The amount of a company's profits distributed to each shareholder who holds a share of its underlying common stock, net of liabilities and preferred stock dividends, is known as dividends per share, or EPS. Comparing the overall quantity of shares exchanged during a reporting period (often quarterly or annually) with the number of dollars of net profits achieved during the exact same period makes the calculation straightforward. Etukudo *et al.* (2022) revealed that while provision for liabilities has a significant effect on the profitability of listed industrial goods firms in Nigeria, provision for employee benefits has no significant effect.

2.4 Stock Returns and the Operating Cash Flow Ratio

Duru et al. (2023) revealed that operating and financing cash flows have a significant positive effect on corporate performance in the Food and Beverages Sector in Nigeria. Gilbert and Ugochukwu (2023) showed that the cost of inventory is positive but does not significantly drive the operating profit ratio of public-listed consumer firms in Nigeria; the cost of labour is positive and significantly drives the operating profit ratio of public-listed consumer firms in Nigeria; while selling and distribution costs are negative but do not significantly drive the operating ratio of sampling firms. According to Khalayleh (2023), the existence of a relationship is low and not statistically significant between the cash flows and stock returns.

Leo and Harlyn (2022) show that the gross profit and operating profit variables partially have no significant effect on future cash flows, while the net income variable shows a partially significant effect on cash flows in the future. However, Luo (2018) argued that the cash flows are unusual elements that contain predictive ability about future cash flows. Kata (2022) results indicate that net income and return on equity have a significant positive effect on the stock returns; otherwise, sales growth has no significant effect on the stock returns.

Olaniyan et al. (2022) revealed that the variables used in this study are co-integrated in the long run, which led to the Vector Error Correction Model (VECM) test, which revealed that all variables of operating cash flow incorporated in the model have a positive effect on firm performance both in the short run and long run. Ojimba et al. (2021) revealed that Cash flows from operating activities have no significant effect on stock returns of consumer goods firms in Nigeria; cash flow from investing activities does not have a significant effect on the stock returns of consumer goods firms; free cash flow has a positive and significant effect on stock returns of consumer goods firms in Nigeria. Samoei and Tenai (2021) indicated that operating cash flow positively and significantly influenced the stock returns for firms listed at NSE. Okoye (2020) revealed that operating activities are not statistically significant and have a negative effect on total accruals earnings of Nigerian banks.

2.5 Stock Returns and Returns on Assets (ROA)

Return on Assets (ROA) is a financial metric used to evaluate whether management has received a reasonable return from the assets under its control. This ratio is a useful measure if one wants to appraise how well the company has used its funds. According to Tandelilin (2020), Return on Assets is the company's ability to earn profits from the assets owned by the company. Hanafi and Halim (2016) defined ROA as the ability of a business to make money in relation to its assets. The collective opinions of investors about a company's success, both now and in the future, are reflected in its value. The company's value depends on the opportunity to grow; however, this opportunity depends on its ability to attract capital. Anggulyah and Roy (2022) opined that the results of the analysis show that the first calculation of the Return on Assets (ROA) variable has a significant effect on Stock Return. Supriyadi (2021) proved that Return on Assets and Return on Equity positively affect the Company's Value. At the same time, Net Profit Margin does not positively affect the Company's Value. Anwaar (2016) showed that net profit margin on return on assets has a significant positive impact on stock returns, while earnings per share has a significant negative impact on stock returns. Dewa and Anak (2021) found that ROA, ROE and NPM simultaneously have a significant positive effect on stock returns. ROA partially has a significant positive effect on stock returns. Handito and Wiwiek (2019) found that Earnings Yield (EY), Price Book Value (PBV), Return on Assets (ROA), and Market Return affect stock returns.

2.6 Stock Returns and Returns on Equity (ROE)

Return on equity (ROE), sometimes referred to as the success of own investment, is a ratio to measure net profit after tax with own capital and generate net profit available to owners or investors (Kasmir, 2012). ROE shows whether management was effective in optimising the returns on the investment made by shareholders and emphasises the return on income relative to the investment amount. The financial return is calculated via ROE earned from investments for shareholders by dividing the number of shares of common equity by the amount of net cash available to common shareholders. Conversely, a lower own capital profitability ratio indicates that operational capital only generates a modest or nonexistent net profit after taxes.

2.7 Stock Returns and Operating Profit Margin

The revenue produced by the company's operations can be ascertained using the net profit margin ratio. Kasmir (2012) explains that Net Profit Margin (NPM) is a measure of profit by comparing profit after interest and tax compared to sales. Given that a strong business may produce substantial profits from its sales activity, this ratio shows that the bigger the ratio, the better. Because it impacts the viability of any corporate organisation, firm profitability is important to stakeholders (Nworie and Mba, 2022). Operating profitability is the extent to which a company increases the effectiveness and efficiency of converting the usage of its assets into profits. Sulastrri et al. (2024) show that profitability negatively affects stock return. The difference between revenue and production costs is referred to as profit over a specific time period. It is the difference between net operating expenses and revenue.

2.8 Theoretical Review

The theories upon which this study anchored are the Free Cash Flow (FCF) Theory and the Signaling Theory.

2.8.1 Free Cash Flow (FCF) Theory

The Free Cash Flow (FCF) theory, first presented by Michael Jensen in 1986, serves as the basis for this investigation. According to this theory, a business's free cash flow is the surplus cash flow that arises after netting off the necessary funds invested in projects that yield positive net present value (NPV) returns. These projects are long-term investment projects whose expected present value cash inflows are more than their cash outflows (Jensen, 1986). According to Jensen (1986), these are a couple of the factors that lead many investors to believe that higher FCF indicates higher business value, which is reflected in a high return on stock. Conversely, the business's shareholders believe that free cash flow can be a criterion for generating value for them. This is because companies with high beneficial FCF are likely to use the extra money for new, profitable ventures that generate positive net present value (NPV), which eventually boosts stock returns. This theory is important to the study because it is based on the idea that businesses give priority to the sources of funding for their investments.

Theorists contend that investors and management have unequal access to information. The Free Cash Flow (FCF) Theory is an effective metric for assessing a firm's success since it is connected to changes in shareholders' wealth, which is linked to stock returns (Maham *et al.*, 2008). FCFs indicate the flow of cash from operations (the ability to meet its operational obligations), financial revenue flow (the ability of the organisation to repay debts, sell and repurchase its stock), and leveraging cash flow (the facilitation of quicker enterprise growth through prudent use of fixed assets), all of which increase investors' confidence in the company. Habib (2021) relied on a multivariate regression technique and found a positive correlation between growth prospects and a company's free cash flow and its market value. Dastgir *et al.* (2011) investigated the relationship between cash flows and stock return of companies. In their analysis of cross-sectional data, there was a significant relationship between free cash flows and stock return.

2.8.2 The Signaling Theory

Ross (1977) propounded the signalling theory, which explains how a corporation should alert prospective investors. These signals notify the user of the steps taken by management to satisfy the desires of the owner. According to signalling theory, it is crucial to communicate investors' perspectives on the company's future. Investors are supposed to use dividend announcements as a signal in making investment decisions. Managers possess details regarding the company's attributes that the market does not have access to. If the company's planned or existing investments have a favourable impact on its potential cash flows, this information is advantageous. The general public will be pleased, and knowledge will be trusted if management can convey a compelling message, and the stock price will reflect this. It is crucial that management activities send signals to the public and investors due to asymmetric information.

3.0 METHOD

3.1 Research Design

The panel data have the characteristics of time series and cross-section, as the data were collected from many companies over many years. The data already exist, and the study used it in its original form. The study employed an *ex-post facto* design because it used data on the manufacturing organisations' past performance.

3.2 Population of the Study

The research population comprises of thirty-five (35) manufacturing companies listed on the Nigerian Exchange Group (NGX) as at December 2025. For the purpose of this study, nine (9) manufacturing companies were selected for the study.

3.3 Sampling Technique

The study utilised a simple random sampling technique, and nine (9) manufacturing companies were selected. The goal of the random sampling technique is to ensure that the sample is unbiased and representative of the population, allowing researchers to make inferences about the population based on the sample data. The nine (9) quoted manufacturing industries listed on the Nigeria Exchange Group. They are Cadbury Nigeria Plc, Dangote Sugar Refinery Plc, Champion Brewery Plc, Guinness Nig. Plc, Nestle Nigeria Plc. GlaxoSmithKline Consumer Nig. Plc., Lafarge Africa Plc, Unilever Nigeria Plc, and Berger Paint Plc. The research spans eleven (11) years, from 2015 to 2025.

3.4 Source and Nature of Data

The study is a secondary research. Secondary data were obtained from audited annual reports published on the Nigerian Exchange Group (NGX) and from Fact Books of the nine (9) manufacturing companies selected for the purpose of the study.

3.5 Measurement and Description of variables

The variables in the regression model is expected as follows:

Table 1: Measurement and Description of variables

The following summarizes the variables and their formulae for calculations.

Variables	Formula	Description	Apriori Expectation
Stock Returns (SR)	$\frac{P1 - P0}{P0}$ P1 = Closing Price of the stock P0 = Opening price of the stock	Measures gains/losses of investors in a particular period of time	
Earnings per Share (EPS)	$\frac{(\text{Net Income} - \text{Preferred Dividends})}{\text{total number of outstanding shares}}$	Measure market efficiency in terms of profitability	Positive
Return on Investment (ROI):	$\frac{\text{Gain from Investment} - \text{Cost of investment}}{\text{Cost of Investment}}$	Measures the profitability of an investment by comparing the gain or lost to it cost.	Positive
Operating Cash Flow Ratio (OCFR):	$\frac{\text{Operating Cash flow}}{\text{Current Liabilities}}$	Measures a company's ability to generate cash from its core operation to pay off it short term debts.	Positive
Return on Equity(ROE)	$\frac{\text{Net Income}}{\text{Total share holder Equity}}$	Measures a company's ability to generate profits from share holders' equity.	Positive

Return on Asset (ROA)	$\frac{\text{Net Income}}{\text{Total Asset}}$	Evaluates how efficiently a company uses its assets to generate profits	Positive
Operating Profit Margin (OPM)	$\frac{\text{Operating Income}}{\text{Revenue}}$	Measure a company's ability to generate net profit after tax from its core business activities	Positive

Source: Researcher's Compilation (2026)

3.6 Model Specification

The model used was premised on the main objectives and anchored on the sub-objective. The following mathematical model were developed to analyse the effect of accounting income on stock returns of Manufacturing Companies in Nigeria using Earning Per Share (EPS), Return on Investment (ROI), Operational Cash Flow Ratio (OCFR), Return on Equity (ROE), Return on Asset (ROA), and Operating Profit Margin (OPM) as the explanatory variables to see how it affect Stock Returns (SR) which is the dependent variable.

The Easton and Harris (1991) Valuation Model

The study adapted Easton and Harris's (1991) valuation model. This provides the background to the work. It establishes a relationship between accounting income and stock returns. This prompted the researcher to adapt the model for the research variables. Easton and Harris's (1991) valuation model expresses stock returns as a function of earnings levels and earnings change, with both variables deflated by the stock price at the end of the previous year.

Econometrically the basic model is stated as;

$$SR_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 ROI_{it} + \beta_3 OCFR_{it} + \beta_4 ROE_{it} + \beta_5 ROA_{it} + \beta_6 OPM_{it} + e \quad \text{Equation 3.1}$$

This equation can be rewritten as putting the variables

$$SR = f(EPS, ROI, OCFR, ROE, ROA, OPM) \quad \text{Model 3.2}$$

Whereas:

β_0	=	Intercept
SR	=	Stock Return
EPS	=	Earnings per Share
ROI	=	Return on Investment
OCFR	=	Operating Cash Flow Ratio
ROE	=	Return on Equity
ROA	=	Return on Asset
OPM	=	Operating Profit Margin
e	=	Error term
t	=	Time dimension
i	=	individual firm

3.7 Method of Data Analysis

The secondary data collected were analysed using descriptive statistics, correlation analysis, and regression and interaction analysis. Multiple regression analysis was used to evaluate the effect of the independent variables with the aid of STATA. The results revealed the degree of influence and the level of significance. The data were checked for errors and omissions, coded, defined and then entered into STATA. This study used both descriptive and inferential statistics. Panel data were used to evaluate the hypotheses. The descriptive test summarises the model variables and tests the appropriateness and normality of the variables as modeled.

First Order Econometric Tests

The statistical criteria that were used to test the first-order hypotheses include:

The economic *a priori* expectation evaluated the parameter in terms of their meeting the standard economic theory expectations. Statistical tests are done to evaluate reliability of the estimated parameter in accordance with statistical theory and expectation. The statistical test that were carried out included:

The t-test: It is used to test the significance of the individual parameters of the regression model. The decision to reject the null hypothesis is based on the test statistic from the data at hand. A high t-statistic indicates that the independent variable is significant in explaining the variation in the dependent variable. In this study, we will use a significance level of 0.05.

The f-test: It measures the overall significance of the model. The null hypothesis for the F-test is that all the regression coefficients are equal to zero, implying that the independent variables do not have any significant influence on the dependent variable. This was carried out to ascertain whether an individual regression coefficient is statistically significant. If the calculated F-statistic is greater than the critical value of the F-distribution, the null hypothesis is rejected, and it is concluded that at least one independent variable has a significant influence on the dependent variable. Conversely, if the calculated F-statistic is less than the critical value of the F-distribution, the null hypothesis is accepted, and it is concluded that none of the independent variables has a significant influence on the dependent variable.

Co-efficient of Determination (R^2): The goodness-of-fit test was carried out using the square of the correlation coefficient. It shows the percentage of the total variation in the endogenous variable being explained by the change in the explanatory variables. It measures the extent to which the explanatory variables are responsible for judging the explanatory power of the regression.

Second Order Econometric Tests

The test was performed on the regression result in order to evaluate it according to the classical assumptions of Ordinal Least Square (OLS). These tests are discussed briefly below:

1. **Test for multi-collinearity:** This was used to test the linear collinearity among the explanatory variables and correlation matrix would be employed in this test. Multi-collinearity was used to test the linear collinearity among the explanatory variables, whether the independent variables are actually independent or they are linked to each.
2. **Unit Root Test:** The purpose of the test is to check the stationarity of the time series data in order to avoid having a spurious regression result. To check for stationarity, the Augmented Dickey-Fuller test was utilized.
3. **Auto-correlation test:** This was used to test if the errors corresponding to different observation are uncorrelated, testing for the randomness of error term. The Durbin-Watson (DW) method would be employed for this test.
4. **Heteroscedasticity test:** This was used to know whether error term of the explanatory variables of the estimated model have equal variance.
5. **Normality test:** This was used to know whether the error term of the estimated model is normally distributed.
6. **Heteroscedasticity Test:** Breusch-Pagan-Godfrey: Heteroscedasticity refers to situation where the variance of the residuals is unequal over a range of measured values. This is used to know whether error term of the explanatory variables of the estimated model have equal variance.

4.0 RESULTS AND DISCUSSION

Table 2: Descriptive Statistics

	SR	EPS	ROI	OCFR	ROE	ROA	OPM
Mean	1.038699	200.2321	15.93378	48.39432	21.77350	5.410957	6.234757
Median	1.016129	93.91743	11.02991	37.27562	10.31192	5.130034	6.508240
Maximum	3.273322	1390.117	152.1094	359.7834	293.0710	26.49347	29.20514
Minimum	0.195779	-585.8453	-82.52039	-20.46371	-88.00824	-30.09522	-52.74914
Std. Dev.	0.468159	299.9707	26.49376	50.80855	44.28072	8.200238	11.22653
Skewness	1.864935	1.588158	1.159385	2.796873	3.350339	-0.627622	-1.712104
Kurtosis	8.837431	6.442526	10.94205	15.84077	18.72311	6.258269	10.12249
Jarque-Bera	197.9486	90.50239	282.3681	809.2234	1204.975	50.29181	257.6274
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	102.8312	19822.97	1577.444	4791.037	2155.576	535.6848	617.2410
Sum Sq. Dev.	21.47893	8818278.	68788.08	252987.8	192156.7	6589.902	12351.43
Observations	99	99	99	99	99	99	99

Source: Researcher's Computation using E-views 13.0 (2026)

Table 2 shows that SR, EPS, ROI, OCFR, ROE, ROA and OPM had mean values of 1.038699, 200.2321, 15.93378, 48.39432, 21.77350, 5.410957 and 6.234757, respectively. This indicates the central or average values for these variables used in the study.

Regarding the level of variability and dispersion in the distribution of these variables, the standard deviations were 0.468159, 299.9707, 26.49376, 50.80855, 44.28072, 8.200238 and 11.22653, respectively. This indicates varying levels of variability in the distribution, with OCFR indicating high variations in the distributions.

Similarly, from the skewness values obtained, SR, EPS, ROI, OCFR, and ROE showed positive skewness values, meaning they were all skewed to the right. This indicates that the mean values of these variables were greater than their median and mode. However, ROA and OPM showed negative skewness values, meaning they were all skewed to the left.

The Kurtosis values obtained for the variables are shown in the table. Since the values of the kurtosis are greater than three (3), it indicates a mesokurtic distribution, hence the presence of outliers in the data for the variables.

Finally, based on the Jarque-Bera probability values obtained, all variables (SR, EPS, ROI, OCFR, ROE, ROA, OPM) indicated normality in their distribution, given that their Jarque-Bera probability was greater than 0.05.

Multicollinearity Test

In evaluating multicollinearity, the study examine the correlation coefficients using correlation matrix and the variance inflation factor (VIF). For correlation matrix, multicollinearity occurs when the magnitude of the correlation coefficient exceed .80 (Kim, 2019; Benjamin, *et al.*, 2023).

Table 3: Correlation Matrix

	SR	EPS	ROI	OCFR	ROE	ROA	OPM
SR	1.000000	0.217046	0.110126	0.021118	0.143936	0.138762	0.090971
EPS	0.217046	1.000000	-0.045890	-0.107857	-0.061385	0.064833	0.203366
ROI	0.110126	-0.045890	1.000000	0.212272	0.059634	0.762501	0.622307
OCF	0.021118	-0.107857	0.212272	1.000000	-0.086619	-0.025362	0.043006
ROE	0.143936	-0.061385	0.059634	-0.086619	1.000000	0.119408	0.049952
ROA	0.138762	0.064833	0.762501	-0.025362	0.119408	1.000000	0.806218
OPM	0.090971	0.203366	0.622307	0.043006	0.049952	0.806218	1.000000

Source: Researcher's Computation using E-views 13.0 (2026)

From the correlation matrix result on Table 3, there is no problem of multicollinearity, given that the magnitude of the correlation coefficient does not exceed 0.80.

Table 4: Variance Inflation Factor (VIF)

Variance Inflation Factors

Date: 06/17/25 Time: 03:32

Sample: 1 99

Included observations: 99

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
EPS	2.67E-08	1.618213	1.115924
ROI	8.53E-06	3.798317	2.781850
OCFR	9.81E-07	2.254421	1.176333
ROA	0.000149	6.709341	4.659751
ROE	1.13E-06	1.283784	1.031772
OPM	5.34E-05	4.101162	3.126908
C	0.007078	3.320662	NA

Source: Researcher's Computation using E-views 13.0 (2025)

For Variance Inflation Factor (VIF), multicollinearity occurs when the VIF exceed 10. (Marcoulides and Raykov, 2019). The test conducted in table 4.2 indicate the absence of violations of the assumption of multicollinearity on all the variables used in the study (given that Centred VIF values is less than 10).

Heteroscedasticity Test: Breusch-Pagan-Godfrey

Heteroscedasticity refers to situation where the variance of the residuals is unequal over a range of measured values. This is used to know whether error term of the explanatory variables of the estimated model have equal variance. The result revealed there is no heteroscedasticity, given that the Prob (F-Statistic) and Prob (Chi-Square) are both 0.

Table 5: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.312286	Prob. F(6,92)	0.2596
Obs*R-squared	7.804835	Prob. Chi-Square(6)	0.2528
Scaled explained SS	24.95107	Prob. Chi-Square(6)	0.0003

Source: Researchers' Computation using E-views 13.0 (2026)

Given that the probability value associated with the Chi-Squares is significantly greater than 0.05 levels, we accept the null hypothesis that there is no heteroscedasticity in the model.

Table 6: OLS Analysis showing the influence of EPS, ROI, OCFR, ROA, ROE and OPM on stock returns of selected manufacturing companies in Nigeria.

Dependent Variable: SR

Method: Least Squares

Date: 06/17/26

Time: 05:17

Sample: 1 99

Included observation: 99

Variable	Coefficient	Std. Error	T-statistic	Prob.
C	0.970873	0.055594	17.46375	0.0000
EPS	0.000339	0.000155	2.189862	0.0309
ROI	0.001946	0.001783	1.091250	0.2779
OCFR	0.000195	0.000935	0.208032	0.8356
ROA	0.007922	0.005741	1.379993	0.1708
ROE	0.001522	0.001062	1.432523	0.1522
OPM	0.003794	0.004217	0.899688	0.3705
R-squared	0.634109		Mean dependent var	1.038699
Adjusted R-squared	0.402094		S.D dependent var	0.468159
S.E of regression	0.459348		Akaike Info Criterion	1.30197
Sum squared resid.	20.46707		Schwarz Criterion	1.354405
Log likelihood	-62.44794			
F-statistic	48.795497		Hannan-Quinn Criter.	1.323191
Prob (F-statistic)	0.003093		Durbin-Watson Stat.	2.081896

Source: Researcher's Computation Using E-views 13.0 (2026)

Table 6 shows that accounting income numbers, proxied by various management and stock market ratios, account for about 40-20% of the variations in stock returns, with 59.8% variation attributed to other variables not captured or included in the model, perhaps macroeconomic indicators and government policies.

The model goodness of fit (F-ratio) with a value of 48.795497 (P-value 0.003093 < 0.05) shows the robustness of the model and its suitability for policy formulation and analyses. This was further confirmed by the Durbin-Watson stat. value of 2.081896 indicating absence of autocorrelation.

The beta coefficients for all variables including regression constant (C), were positive although with minimal values. This shows that a unit change in any of the independent variable

account for very little changed in stock returns. The P-values for all the predictive variables were statistically not significant except for EPS; hence, the null hypotheses were accepted, but for EPS, which was rejected.

Other regression residuals were all positively signed except for log likelihood, with a negative value of -62.44794, implying no problem in the model and the probability densities of the study dataset.

The result of the first hypothesis indicates that about 0.047109 variation in SR is accounted for by the independent variable (EPS) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.0309, which implies that the independent variable has a significant effect on the dependent variable. Therefore, the null hypothesis, which states that there is no significant influence of Earnings per Share (EPS) on stock returns of selected Manufacturing Companies in Nigeria, is rejected. The result is consistent with previous studies where accounting information had a positive and significant effect on share prices (Adetula *et al.*, 2021; Gharaibeh *et al.*, 2022).

The result of the second hypothesis indicates that about 0.012128 variation in SR is accounted for by the independent variable (ROI) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.277866, which implies that the independent variable has an insignificant effect on the dependent variable. Therefore, the null hypothesis, which states that there is no significant influence of Return on Investment (ROI) on stock returns of selected Manufacturing Companies in Nigeria, is accepted. The findings contrast with Tantri *et al.* (2022).

The result of the third hypothesis indicates that about 0.000446 variation in SR is accounted for by the independent variable (OCFR) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.8356, which implies that the independent variable has an insignificant effect on the dependent variable. Therefore, the null hypothesis, which states that there is no significant influence of OCFR on stock returns of selected Manufacturing Companies in Nigeria, is accepted. The findings contrast with Samoei and Tenai (2021) & Olaniyan *et al.* (2022) studies.

The result of the fourth hypothesis indicates that about 0.020718 % variation in SR is accounted for by the independent variable (ROE) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.020718, which implies that the independent variable has an insignificant effect on the dependent variable. Therefore, the null hypothesis, which states that there is no significant influence of ROE on stock returns of selected Manufacturing Companies in Nigeria, is accepted. The finding contrasts with the works of Handito and Wiwiek (2019) & Fitri (2023).

The result of the fifth hypothesis indicates that about 0.019255 variation in SR is accounted for by the independent variable (ROA) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.1708, which implies that the independent variable has an insignificant effect on the dependent variable.

Therefore, the null hypothesis, which states that there is no significant influence of ROA on stock returns of selected Manufacturing Companies in Nigeria, is accepted. The findings disagree with the studies of Dewa and Anak (2021), Anggulyah and Roy (2022) and Fitri (2023).

The result of the sixth hypothesis indicates that about 0.008276 variation in SR is accounted for by the independent variable (OPM) of this study. To test the hypothesis, the researcher relied on the p-value of the F-statistic. The result shows a p-value of 0.3705, which implies that the independent variable has an insignificant effect on the dependent variable. Therefore, the null hypothesis, which states that there is no significant influence of OPM on stock returns of selected Manufacturing Companies in Nigeria, is accepted. The finding contrasts with prior studies conducted by Samoei and Tenai (2021) and Olaniyan *et al.* (2022).

5.1 CONCLUSION

The main objective of the study was to examine the effect of accounting income on the stock of selected manufacturing companies in Nigeria. *An ex-post-facto* research design was adopted for the study. The data for the study were obtained from secondary source (that is from the published financial statement of Consumer goods manufacturing companies) for the period of eleven years (2015 to 2025). Ordinary least square regression, with the aid of E-views 13, was used in analysing the data and testing the stated hypotheses. Several factors could explain this weak relationship. First, the efficiency of the Nigerian stock market may be limited, implying that stock prices do not fully reflect accounting information. Second, other external factors, such as macroeconomic conditions, market sentiment, and exchange rate volatility, may have a stronger influence on stock price movements than financial statement figures. Additionally, issues related to financial reporting quality, earnings management, or investor scepticism towards reported earnings could further weaken the perceived relevance of accounting income figures. The fourth factor could be attributed to dividend policy. Companies with a consistent dividend policy may have stock prices more influenced by dividend yields than accounting income. Time lag is another factor. The impact of accounting income on stock returns may be delayed, making it harder to detect a significant relationship.

5.2 RECOMMENDATIONS

- i. Manufacturing companies in Nigeria should continue to focus on increasing net income and reducing shares outstanding to boost EPS. This can be achieved by improving operational efficiency, engaging in share repurchase or buyback, reducing costs and increasing revenue by expanding product lines and enhancing sales strategies.
- ii. Manufacturing companies should look beyond ROI when evaluating investment opportunities; emphasis should be placed on optimising investment strategies, reducing

- costs, and increasing revenue. This can be achieved by investing in projects with high returns, improving operational efficiency, and enhancing productivity.
- iii. Investors should be educated on the importance of financial statement analysis and how to integrate accounting income with other financial and economic indicators.
 - iv. Manufacturing companies in Nigeria should optimise their equity utilisation by ensuring that they have an optimal mix of debt and equity financing.
 - v. Manufacturing companies should prioritise asset utilisation and efficiency to improve their ROA. This can be achieved by optimising asset utilisation, reducing asset redundancy, and improving asset management practices.
 - vi. Manufacturing companies should focus on improving their Operating Profit Margin by reducing operating costs, improving pricing strategies, and enhancing operational efficiency.

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