

THE NEXUS BETWEEN INVESTORS' PERCEPTIONS AND PERFORMANCE OF QUOTED MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT

We employed secondary data obtained from the company's financial statements covering from 2012 to 2020 to empirically examined the nexus between investors' perceptions and performance of quoted manufacturing firms in Nigeria, a sampled of eight entities was used, and the output revealed that, when the independent variables are combined, it has significant impact on entity performance, however when separated it has no statistical significant impact on entity performance, hence base on the output we can statistically say on the average investors' perceptions has an impact on the performance of quoted manufacturing firms in Nigeria. Based on the result from our examination, we therefore recommended that: Entities should focus more in increasing shareholders wealth because it has a way of improving potential investors wealth's; Entities should maintain good corporate relationship with the corporate world because it has a way of affecting its inflow of capital; Public sensitization should be done by entities in order to keep entities inform of the current financial and economic status of the entities.

Keywords: Perception, Dividend per share, Earning per share, Return on assets.

INTRODUCTION

The way a potential investors and stakeholders think may have a way of affecting the entity generally, this is because all stakeholders of an entity always seek to maximize the best from their investment. Some stakeholders base their economic and investment decision on what they hear in the economic and market environment, hence any wrong decision made by entity may likely send wrong signal to the global environment. In the same vein, there are some investors that base their decisions only on the output of the entity financial statements, and not what an individual say or what they hear in the market place. Derun and Mysaka (2018) "consumers and investors are interested in the results an entity economic activity and they tend to have their own ideas about it. Majority of the influential groups of stakeholders they are guided by different considerations and approaches. However, in our opinion, they all directly (investors) or indirectly (consumers) take into account the information provided by public companies in their financial statements. If analysis of performance indicators is a standard step in the process of making an investment decision, consumers receive their part of information about company's financial position and performance in the form of brand ratings". Solomon, Muturi, and Memba (2016) there are many reason reasons that influences investors' perception and decisions, some of these factors could be from non-financial (political) to financial (economical) alike, most investors are more concerned with the stock market indicators which in the general palace are the financial indicators such as; earnings per share, share price dividend per share, to mention but a few. Macharia and Gatuhi (2013) With the increasing global competition, companies are focusing their efforts on creating shareholder value in order to survive the intense competition. In view of this, it is becoming important for companies to measure the value they create for their shareholders. The manufacturing sector is salient to the development of any economy, and Nigeria economy is not an exception. Therefore if the investors view this sector wrongly it will not only affect the inflows of the manufacturing sector alone but also the entire economy at large.

REVIEW OF RELATED LITERATURES

Evidence of research gap

Macharia and Gatuhi (2013) asserted that further research should be done in this area, when they investigated a similar study in Kenya however in a different sector, scholars and researchers to the best of our knowledge has not really explored this area of research to include current economic and financial data. Another salient gap in this study also lack of consistence in literatures on this issue. Hence this study employed brought in control variable in order to make a different in our analysis.

Theoretical Review

This research work is anchored on the 'signaling Theory' Michael (1973) asserted that information is not evenly available to all stakeholders at the same time, hence information asymmetry is salient to all investors, this is because companies financial decisions are signals sent by the company's managers to Investors in order to take advantage of the markets. Base on this assertions, shareholders and potential investors are very mindful of every information they hear in the market place, this is because financial statements are historical records hence to be proactive, one must be on the alerts.

Review of empirical literature

An examination of individual corporate reputation and perception of collective corporate reputation regarding stock market investments by Anna (2021) discovered that there are two different concepts of corporate reputation grounded in individual and collective perceptions, also "he found out that the individual propensity to invest is not directly based on an investor's perception (rooted in historical share price and other objective metrics) of a firm's reputation but rather on an investor's subjective recognition of collective corporate reputation in the market. This suggests a need to rethink the popular measures of corporate reputation in the context of studies of stock market investor decisions". Qasim (2021) distributed 270 questionnaires to examined the effect of internal control on employee performance of small and medium-sized enterprises in Jordan, the role of accounting information system and discovered that internal control is expected to impact on employees performance, AMOS and SPSS was used and discovered that internal control yielded a strong positive relationship with employee performance and a positive relationship with AIS, also AIS had a positive relationship with the performance of the employee. In brief, internal control has major effects on employee performance. Further the AIS mediates the relationship between internal control and the performance of the employee. The result of this research found that in the relationship between internal control and employee performance, AIS plays an important role.

An examination of the role of non-financial performance indicators and integrated reporting in achieving sustainable value creation by Tami, Anna and Gaia (2021) revealed that "sustainability reporting may result in improved environmental or social conditions such as higher working safety and lower greenhouse gas (GHG) emissions. The scientific evidence is not unambiguous though as some studies also suggest no or negative effects related to sustainability reporting. Particularly if provided on a voluntary base with no or low assurance, there is a risk of greenwashing and impression management. The contradictory findings can be related to the very heterogeneous subject of study as sustainability information and related effects highly vary depending on measures, regulatory frameworks and institutional settings. There are many managerial choices available also for entities subject to the CSR mandate under the EU NFRD, such as, e.g. whether to use KPIs or narratives, to have the information assured or not and how to report it (in a separate or integrated report". An examination of quoted companies in Nigeria by Abisola and Femi (2019) on the issue of investors' perception and profitability while employed secondary data obtained from the annual reports of forty (40) companies, with help of multiple regression techniques revealed that investors' perception, when proxy by earnings per share,

have a positive and significant impact on profitability, however, the study noted that investors' perception, when measured by dividend per share, tend to have a positive effect on profitability, but it is statistically insignificant. Therefore recommended that, investors and other stakeholders that are interested in investing in stocks can predict the earning capacity of listed firms in the stock market.

An examination of stakeholder perception of financial performance in corporate reputation formation by Derun and Mysaka (2018) discovered that corporate reputation's financial component is more sensitive to investors' perception rather than to consumers' perception, this is because analysis of financial statements is an important stage in making investment decisions. Hence, consumer commitment is formed by mostly non-financial factors, therefore recommended that modernizing the existing accounting approaches to intangible assets that will strengthen the image and corporate reputation, increase company's market capitalization and improve its investment attractiveness.

Macharia and Gatuhi (2013) employed secondary data ranging from 2004 to 2011 and examined the impact of financial performance indicators on market price of shares in commercial banks of Kenya, they employed the average market price of shares; total assets, net advances, total liabilities, deposits and profit before tax and discovered that a single financial indicator is not enough to influence the market price of shares, they also discovered that key financial indicators have a significant combined influence and effect on market price of shares, based on the output they therefore recommended for further study by including additional financial performance variables like risk weighting of the banks, dividend per share and earnings per share.

METHODOLOGY

Research Design

This section discussed the correlational research design that will be employed to establish or explore a relationship, association or interdependence between at least two facets of a situation or a phenomenon. Therefore this study employed the multiple regression and the descriptive statistics on e-view 10⁺ in interpreting the nexus between the investor's perceptions and entity performance.

Population of the Study

The population of study consists of manufacturing companies listed on Nigeria Exchange group as at November 2021. The total manufacturing companies listed are 20 which are: Unilever Nigeria plc, Union Dicon Salt Plc, Vitafoam Nig. Plc Cadbury Nig. Plc., Champion Brew. Plc, Dangote Sugar Refinery, Plc, DN Tyre & Rubber Plc, Flour Mills Nig. Plc, Golden Guinea Brew. Plc., Guinness Nig. Plc., Honeywell Flour Mill, Plc., International Breweries Plc., Mcnichols Plc, Multi-trex Integrated Foods Plc, Nigerian Flour Mills Plc, Nascon Allied Industries Plc, Nestle Nig. Plc, Nigerian Brew. Plc, Nigerian Enamelware Plc, and PZ Cussons Nigeria Plc.

Sample and Sampling Technique

Eight (8) of the listed companies were selected as sample of the study. The reason for the selection of these companies is based on the availability of data, and while also employing capitalization as a bases for selections.

Source of Data

Secondary data was employed due to the nature of this study. Therefore the data were collected from financial statements of the selected companies for a period of 9 years ranging from 2012 to 2020. Audited annual reports were the source of data for this work because they contain the verification of experts which makes it valid for the study.

Method of Data Analysis

We employed the study used multiple regression technique, this technique is made up of one dependent variables ROA, two independent variables dividend per share, earning per share and one control variable Size.

Model of Specification

$$ROA = f (EPS, DPS, Size) \dots\dots\dots (1)$$

$$ROA = \beta_0 + \beta_1DPS + \beta_2EPS + \beta_3AGE + \mu \dots\dots\dots (2)$$

Where;

ROA = Return on assets

DPS= Dividend per share

EPS= Earnings per share

Size = Entity Size

β_0 = Intercept Term of the Regression Model

β_1, β_3 = Partial Slope coefficients of the Explanatory Variables in the Regression Model

μ = The Stochastic error term capturing other variables not explicitly included in the model.

RESULTS AND DISCUSSION OF FINDINGS

Data presentation

The data collected from NSE and the companies’ website are presented and analyzed in this section. Therefore the analysis is based on secondary data of eight manufacturing companies with data covering from 2012 to 2020.

Descriptive Analysis

	ROA	EPS	DPS	Size
Mean	0.768518	0.271296	0.296296	7.288518
Median	0.750000	0.250000	0.250000	7.303333
Maximum	1.000000	0.583333	0.500000	7.435833
Minimum	0.583333	0.025000	0.083333	7.128333
Std. Dev.	0.123447	0.207712	0.150872	0.099993
Skewness	0.334336	0.471419	0.173217	-0.169019
Kurtosis	2.613293	1.910327	1.706193	1.975920
Jarque-Bera	0.223749	0.778624	0.672733	0.436128
Probability	0.894156	0.677523	0.714361	0.804074
Sum	6.916666	2.441665	2.666667	65.59667
Sum Sq. Dev.	0.121913	0.345154	0.182099	0.079989
Observations	9	9	9	9

Source: E-view via financial data

The descriptive statistic above revealed the mean, median, maximum, standard deviation, skewness, kurtosis and normality test which help in describing the characteristics of the data employed in the study. The Jarque-Bera, statistic accepted our null hypothesis of normal distribution for our selected variables (ROA, EPS, DPS and Size) at 5% critical value as their (Jarque-Bera) probability is greater than 5%, the data also revealed that EPS is the most dispersed among the selected variables while entity size is the least dispersed.

Data Analysis

Dependent Variable: ROA
 Method: Least Squares
 Date: 12/02/21 Time: 09:50
 Sample: 2012 2020
 Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	-0.058159	0.229010	-0.253959	0.8096
DPS	0.153114	0.270802	0.565411	0.5962
Size	1.088544	0.625552	1.740133	0.1423
C	-7.194944	4.460183	-1.613150	0.1676
R-squared	0.934208	Mean dependent var		0.768518
Adjusted R-squared	0.894733	S.D. dependent var		0.123447
S.E. of regression	0.040052	Akaike info criterion		-3.296163
Sum squared resid	0.008021	Schwarz criterion		-3.208508
Log likelihood	18.83273	Hannan-Quinn criter.		-3.485323
F-statistic	23.66578	Durbin-Watson stat		2.274838
Prob(F-statistic)	0.002208			

Source: E-view via financial data

The data analysis above showed that all variable selected rejected our null hypothesis, however the independent variables combined significantly explained the variations in the dependent variable with an F-statistics value of 0.002208 (at 5% significant level). Durbin- Watson statistics value 2.27 is approximately equal to the 2.0 benchmark, which implies the non-existence of serial auto correlation among the independent variables. The coefficient of determination revealed that 93% of changes in the dependent variable are accounted for by the combined effect of variations in the independent variables. Also, the adjusted R- squared value of indicates that the model used in testing the hypotheses for the study is a proper and good fit, with a confidence level of approximately 89% for acceptance of the goodness of the study model.

CONCLUSION AND RECOMMENDATIONS

Conclusion

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Recommendation

Based on the result from our examination, we therefore recommended that:

- Entities should focus more in increasing shareholders wealth because it has a way of improving potential investors wealth's;
- Entities should maintain good corporate relationship with the corporate world because it has a way of affecting its inflow of capital;
- Public sensitization should be done by entities in order to keep entities inform of the current financial and economic status of the entities.

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