Firm Fundamentals and Stock Price of Quoted Manufacturing Firms in Nigeria

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Abstract
Financial risk, which is influenced by a firm's debt-to-equity ratio, is a fundamental factor that can affect share price and firm value. A firm with high leverage (high debt relative to equity) that makes poor investment decisions, failing to generate positive net present value (NPV) or adequate return on investment (ROI), is more likely to face financial and bankruptcy risks. This study examined the effect of firm fundamentals on the share prices of listed manufacturing companies in Nigeria. As corporate entities on the Nigerian Stock Exchange, the share price of these firms reflects their market value and investment appeal; they can also be influenced positively or negatively by internal financial indicators. The secondary data from 2016 to 2024 was sourced from the financial statements of ten selected quoted manufacturing firms in the Nigerian Stock Exchange Group. The study employed static panel regression to analyse the relationship between selected firm fundamentals and stock prices. The study was anchored on the agency theory. The findings revealed that asset growth and return on equity have a significant positive impact on share price at (β: 823.6; p<0.05) and (β: 30.98; p<0.05). Also, cash flow yield, dividend payout, market capitalisation, and price-to-earnings ratio have a significant negative effect on share price at (β: -962.5; p<0.05), (β: -420.8; p<0.05), (β:-1.53; p<0.05) and (β:-7.73; p<0.05). The study concluded that investors value firms that expand their asset base and efficiently generate profits from shareholders' equity. It was recommended that strategic and tactical level management should focus on strategic investments that increase productive capacity and generate higher returns on equity.

Keywords: Firm fundamentals, share price, price level, growth potentials, liquidity and risk

1.0 Introduction

The manufacturing sector is one of the sectors that contributes largely to the stock market performance. Specifically, the Nigerian manufacturing sector hosts a market capitalisation of 21.1654 trillion naira. The firm value, normally determined by the movement of share price of the firms in that sector, is worthy of attention (Anggraini, 2019). Maximisation of firm value for firms listed on the Nigerian Stock Exchange is the primary goal of all strategic and tactical-level managers of a company (Ahlannisa et al., 2024; Anggraini, 2019). In an ideal financial system, stock prices reflect the intrinsic value of firms based on their fundamentals such as earnings, leverage, asset base, and growth potential. However, in Nigeria's quoted manufacturing sector, stock prices often appear disconnected from these fundamentals, raising concerns about the efficiency of price discovery in the capital market. One theoretical justification is the conflict of interest between firm owners (shareholders) and managers, a phenomenon referred to as agency cost**.**

Agency cost arises when managers pursue personal goals at the expense of shareholders' wealth, leading to suboptimal decision-making, poor resource allocation, and weak alignment with firm fundamentals that should otherwise drive firm value. When such conflicts are not properly monitored or tamed, they can distort managerial focus, reducing the firm's transparency and ultimately diminishing its stock value in the market (Ahlannisa et al., 2024; Ardana et al., 2024). In manufacturing firms, which require capital-intensive operations and strategic financial planning, the misalignment between managerial actions and shareholder interests can significantly affect key fundamentals that investors rely on to evaluate firm performance. The cost incurred to reduce these conflicts, such as performance-based incentives, governance mechanisms, or monitoring systems, must be structured in a way that aligns managerial actions with shareholder goals. (Anggraini, 2019).

Share value, which is a sub-script of firm value, relates to the efficiency of the firm and managers' indicators of how well the shareholders' wealth is being used. It is a market signal that describes the propensities of growth and investors' propensity to invest in such a firm. A high share price shows growth and value benefits of the firm, while a low share price shows the decline or mismanagement of shareholders' wealth and resources invested in the firm (Sulaiman et al., 2019; Prastika et al., 2023). However, the share price of a firm could be affected by various systemic and non-systemic factors. Systemic factors are factors that the organisation cannot make financial decisions to reduce their impact on their value, while un-systemic factors are peculiar factors that are considered to take accurate or effective financial decisions (investment, financing and dividend) could minimise their negative impact on the share value.

Studies like Ahlannisa et al. (2024), Ardana et al. (2024), Pasaribu & Nugroho (2023), Prastika et al. (2023), Faisal et al. (2022) and Dangol & Acharya (2020) have been able to capture firm fundamentals from the perspective of growth potentials, liquidity, risk, macroeconomic, and financial factors on stock return, performance and market value. Ahlannisa et al. (2024) show that leverage ratios and profitability ratios have a positive significant effect on share price. Ardana et al. (2024) show that earnings per share and cash flow operations have a significant effect on stock returns. Pasaribu & Nugroho (2023) show that current ratio, total asset turnover have a positive significant effect on stock returns. Prastika et al. (2023) show that leverage ratios and profitability ratio have a positive significant effect on stock performance. Faisal et al. (2022) reveal that the book-to-market ratio has a positive significant effect on stock return. Dangol & Acharya (2020) indicated that price level measures and firm size have a negative relationship with stock returns. Despite the increasing relevance of firm-level fundamentals in determining share prices globally,

limited empirical evidence exists on how these indicators specifically affect the stock prices of manufacturing firms in Nigeria, knowing fully well that the neglect of these specific fundamentals could not only affect share price but would reduce the investor's prospects in investing in the selected manufacturing companies.

Concurrently, the price level of a firm is influenced by factors such as earnings yield, the price-to-earnings (P/E) ratio, and the stability of cash flow yields over a given period (Saputri & Santoso, 2023). An increase in the P/E ratio indicates the firm's earning capacity, while a higher dividend yield signals positive news about the firm's financial health, potentially leading to an increase in its share price (Aqdas et al., 2021; M'muriungi et al., 2019). Additionally, a firm's growth potential is reflected in its asset quality, profitability, and efficient utilisation of assets to enhance productivity. When shareholders, through financial analysis, observe positive financial performance, asset growth, and improved profit margins, their confidence in the firm increases. This, in turn, attracts investors, which can lead to an increase in the firm's share price over the long run (Anifowose et al., 2020; Sihombing et al., 2023). Conversely, poor profitability can hinder a firm's ability to compete within its sector, ultimately affecting its market share and reducing value creation for shareholders (Aldo & As'ari, 2023).

Moreover, financial risk, which is influenced by a firm's debt-to-equity ratio, is a critical fundamental factor that can affect share price and firm value. A firm with high leverage (high debt relative to equity) that makes poor investment decisions, failing to generate positive net present value (NPV) or adequate return on investment (ROI), is more likely to face financial and bankruptcy risks. This occurs because such firms may struggle to meet their interest obligations to creditors and dividend payments to equity holders (Anifowose et al., 2020; Muhammad & Ali, 2018). As a result, a highly leveraged firm may deter risk-neutral and risk-averse investors, ultimately leading to a decline in its share price over the long run (Lamichhane, 2020; Sulaimon et al., 2019).

Liquidity is a crucial fundamental factor for a firm's success, as it plays a significant role in determining its financial stability and market performance. Unlike liquidity measures such as the current ratio or quick ratio, which assess a firm's ability to meet short-term obligations, this form of liquidity refers to market liquidity, the ease with which a company's shares can be bought or sold without significantly impacting the stock price (Ahlannisa et al., 2024). A high market capitalisation and strong trading volume indicate that investors can trade securities with minimal price fluctuations, ensuring a more liquid market for the firm's stock (Fadillah & Noormansyah, 2023; Henry, 2017).

Based on the premise above and scant empirical evidence in the Nigerian context, this study contributes to the literature by empirically evaluating underexplored firm-level fundamentals, particularly price-level and liquidity indicators as predictors of share prices in Nigeria's manufacturing sector, using recent panel data. This study contributes by (1) isolating firm-specific fundamentals in Nigeria's manufacturing sector, (2) employing static panel regression to capture temporal dynamics, and (3) offering sector-specific recommendations for firms and investors.

2.0 Literature Review
2.1 Theoretical Framework
Agency Theory is a relationship where management acts as an agent entrusted by investors to manage the firm. This theory was first put forward by Jensen & Meckling (2019), cited in Ahlannisa et al. (2024). According to them, the firm owner/shareholders are the "principal," while

the managers are the "agent." According to Fadila Angraini (2023), agency theory is a condition that occurs in a business where the manager as the executor is called the agent and the capital owner (owner) as the agent is the main person who builds a partnership contract which is called a "bond contract," this partnership agreement contains an agreement which explains that firm management must work optimally to provide maximum satisfaction, as a high return for capital owners. Santosa (2019) states that agency theory is based on three assumptions: assumptions about human nature, assumptions about organisations, and assumptions about information.

Using agency theory, the relationship between firm performance indicators and share price can be theoretically justified through the lens of manager-shareholder conflicts. Agency theory posits that managers may not always act in the best interest of shareholders, potentially manipulating or misallocating resources. Indicators like earnings yield, cash flow yield, dividend yield, and price-to-earnings ratio reflect a firm's ability to generate returns, which should guide investor decisions. However, if agency conflicts exist, these fundamentals may not translate into corresponding stock price movements. Likewise, return on equity, return on assets, and profit margin measure managerial efficiency, but agency costs may obscure their true impact on valuation. Asset growth and debt-to-equity ratio can reflect either growth potential or risk-taking behaviour influenced by managerial motives. Lastly, market capitalisation, a market-based measure, may deviate from intrinsic value if investors perceive high agency costs. Testing these variables on share price reveals the extent to which firm fundamentals overcome agency distortions. This theory stands as the anchor theory for this inquiry due to the peculiarity of firm fundamentals being a systemic construct born out of financing decisions that the agents of the firm make towards the performance and value of the shareholders. A poor financing decision that could cause a dwindling share price would affect the value of the firm.

Empirically, consistent with Agency Theory, studies like Ahlannisa et al. (2024) and Sulaiman et al. (2019) show that financial fundamentals (ROA, leverage) influence share prices, reflecting management's alignment (or misalignment) with shareholder interests. Based on the theoretical justification above, the null hypothesis that captures all the listed variables in relation to share price includes:

H_0: Firm fundamentals, including earnings yield, cash flow yield, dividend yield, price-to-earnings ratio, asset growth, return on equity, return on assets, profit margin, market capitalisation, and debt-to-equity ratio, have no significant effect on the share price of quoted manufacturing firms in Nigeria.

2.2 Empirical Review

Several empirical studies have explored the nexus between firm fundamentals and stock price, but with varying scopes, sectors, and theoretical grounding. Ahlannisa et al. (2024) investigated the impact of intrinsic fundamentals return on assets (ROA), current ratio, asset turnover, and debt-to-equity ratio on share price among 36 Indonesian firms, revealing significant positive effects. However, their study lacked a theoretical framework and omitted important valuation indicators like price-to-earnings ratio (PER) and cash flow yield (CFY), which are essential for capturing market-based and cash-driven investor preferences. Similarly, Ardana et al. (2024) assessed firm fundamentals and technical analysis indicators such as earnings per share, market capitalisation, and trading volume on stock returns in Indonesian banks. Although earnings per share and operational cash flow significantly influenced stock returns, the study did not isolate the firm-level technical characteristics or examine cash flow yield (CFY) as a proxy for financial health.

Pasaribu & Nugroho (2023) introduced company size as a moderating variable, finding that current ratio and asset turnover affect stock return, yet failed to integrate key valuation metrics like PER. Navas et al. (2023) made a notable contribution by linking book value fundamentals to long-term market returns in Euronext 100 companies, though the study emphasised value theory without a broader behavioural or control-based framework like agency theory. While Prastika et al. (2023) and Faisal et al. (2022) confirmed the positive influence of firm fundamentals on stock returns in the telecommunication and oil and gas sectors, respectively, their focus was limited to profitability and book-value ratios, again excluding PER and CFY.

In contrast, Naknok (2022) and Shrestha & Lamichhane (2022) incorporated PER, book-to-market, and dividend yield, confirming significant impacts on return on equity and earnings per share. However, these studies lacked a unifying theoretical framework, reducing interpretative strength. Aqdas et al. (2021) specifically examined earnings yield and PER, finding limited predictive power of earnings yield alone, thus validating the need for multifactorial fundamentals. Anifowose et al. (2020), grounded in agency theory, highlighted how financial leverage affects firm performance and noted that ignoring agency costs can distort corporate decision-making. While their methodological limitations were acknowledged, their theoretical choice is commendable.

Agency theory offers a superior explanatory lens over others (e.g., value theory or resource-based view) because it captures how managerial self-interest and monitoring mechanisms affect financial disclosures, dividend decisions, capital structure, and firm valuation. It provides an apt explanation for why firm fundamentals may not always translate to fair stock prices due to information asymmetry and goal misalignment between shareholders and managers. Furthermore, several studies, including Dangol & Acharya (2020), Muhammad & Ali (2018), and M'muriungi et al. (2019), focused on liquidity, profitability, and leverage but largely ignored CFY and PER. Given that CFY reflects the real-time capacity of a firm to generate free cash, which investors value especially under uncertain economic conditions and that PER is a widely used valuation tool by analysts and investors to assess growth prospects, their omission presents a research gap. Therefore, the inclusion of earnings yield, cash flow yield, dividend yield, price-to-earnings ratio, asset growth, return on equity, return on assets, profit margin, market capitalisation, and debt-to-equity ratio is theoretically and empirically justified. These variables collectively reflect a firm's profitability, valuation, growth potential, efficiency, and risk exposure, all of which influence stock price formation. Anchoring this inquiry on agency theory allows for a deeper understanding of how internal firm dynamics and managerial incentives affect the credibility and market interpretation of these fundamentals, especially in the context of Nigeria's manufacturing sector, where governance and transparency issues are prominent.

Studies like Ahlannisa et al. (2024), Ardana et al. (2024), Pasaribu & Nugroho (2023), Prastika et al. (2023), Faisal et al. (2022) and Dangol & Acharya (2020) have been able to capture firm fundamentals from the perspective of growth potentials, liquidity, risk, macroeconomic, and financial factors on stock return, performance and market value. Ahlannisa et al. (2024) show that leverage ratios and profitability ratios have a significant positive effect on share price. Ardana et al. (2024) show that earnings per share and cash flow operations have a significant effect on stock returns. Pasaribu & Nugroho (2023) show that current ratio, total asset turnover have a positive significant effect on stock returns. Prastika et al. (2023) show that leverage ratios and profitability ratios have a significant positive effect on stock performance. Faisal et al. (2022) reveal that the book-to-market ratio has a significant positive effect on stock return. Dangol & Acharya (2020) indicated that price level measures and firm size have a negative relationship with stock returns.

Despite the increasing relevance of firm-level fundamentals in determining share prices globally, limited empirical evidence exists on how these indicators specifically affect the stock prices of manufacturing firms in Nigeria. Knowing fully well that the neglect of these specific fundamentals could not only affect share price but would reduce the investor's prospects in investing in the selected manufacturing companies.

3.0 Methodology

This research utilises a descriptive research design, relying on secondary data that was obtained from the annual audited financial statements of the selected ten quoted manufacturing firms on the Nigeria Stock Exchange Group. The secondary panel annual data was sourced from 2016 to 2024, while the share prices were picked annually within the five-day trading period of the selected companies.

The sampled firms include Vita foam, PZ, Nestle, Guinness, Dangote Sugar, Dangote Cement, Fidson Pharmaceuticals, Honeywell Flour Mills and May and Baker. The selection of the ten quoted manufacturing companies represents a diverse cross-section of the manufacturing sector, covering industries such as food and beverages, pharmaceuticals, building materials, and household goods. This diversity enhances the generalizability of the findings within the manufacturing domain. These firms are well-established, consistently active on the NGX, and have a reliable history of publishing audited financial statements, which ensures the availability and credibility of secondary data for robust empirical analysis.

The dependent variable for this research is the share price as of the five closing periods of the year, while the firm fundamentals include measures of price level (earnings yield, cash flow yield, dividend per share, and price earnings ratio). These indicators reflect the firm's value from the investor's perspective, which managers may manipulate to present favourable performance, highlighting potential agency conflicts. Growth potentials (asset growth, return on equity, return on asset, profit margin). Managers may over- or under-invest in growth opportunities, making these metrics critical in assessing whether resources are used in shareholders' best interest. Risk factors (debt-to-equity ratio): High leverage can signal agency problems if managers take excessive risk for personal gain, increasing financial distress risk borne by shareholders. Liquidity (market capitalisation): Market capitalisation reflects investor perception, which may diverge from firm fundamentals due to agency-induced information asymmetry or signalling. This model was adopted from the works of Ahlannisa et al. (2024), Ardana et al. (2024) and Prastika et al. (2023). The panel regression was employed under the assumption that combining cross-sectional and time-series data captures both individual firm heterogeneity and dynamic behaviour over time, leading to more efficient and consistent parameter estimates. The static panel regression model is employed in line with Arellano & Bond (1991) to control for unobserved firm-specific effects and mitigate endogeneity concerns arising from time-invariant heterogeneity in panel data analysis. The static panel regression model followed the Hausman test ($p < 0.05$ favours Fixed Effects; else, Random Effects).

The linear equation is given below;

$$SV_{t(SP)} = f(FIRM\ FUNDAMENTALS_t)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots.1$$

$$FF_{i,t} =$$
$$f\left(PRICE\ LEVEL_{i,t}, GROWTH\ POTENTIALS_{i,t}, RISK\ FACTORS_{i,t}, LIQUIDITY_{i,t},\right)\ldots\ldots..2$$

Pooled Effect Model

$$SP_{it} = (\gamma_0 + \beta_1 EY_{it} + \beta_2 CFY_{it} + \beta_3 DIV + \beta_4 PER_{it} + \beta_5 ATG_{it} + \beta_6 ROE + \beta_7 ROA + \beta_8 PM_{it} + \beta_9 MCAP_{it} + \beta_{10} DER + \varepsilon_{it})$$

Fixed Effect Model

$$SP_{it} = (\gamma_0 + \beta_1 EY_{it} + \beta_2 CFY_{it} + \beta_3 DIV + \beta_4 PER_{it} + \beta_5 ATG_{it} + \beta_6 ROE + \beta_7 ROA + \beta_8 PM_{it} + \beta_9 MCAP_{it} + \beta_{10} DER + \varepsilon_{it})$$

Random Effect Model

The variability of the constant for each section are as follows:

$$\alpha_i = \alpha + \mu_i$$

Where μ_i is a zero-mean standard random variable. Hence, the random effect model takes the form:

$$SP_{it} = (\gamma_0 + \beta_1 EY_{it} + \beta_2 CFY_{it} + \beta_3 DIV + \beta_4 PER_{it} + \beta_5 ATG_{it} + \beta_6 ROE + \beta_7 ROA + \beta_8 PM_{it} + \beta_9 MCAP_{it} + \beta_{10} DER + (\mu_i + \varepsilon_{it}))$$

Where: SP stands for Share price; EY stands for earnings yield; CFY stands for cash flow yield; DIV stands for dividend yield; PER stands for price earnings ratio; ATG stands for asset growth; ROE stands for return on equity; ROA stands for return on asset; PM stands for profit margin; MCAP stands for market capitalization; DER stands for debt-to-equity ratio; i=N (firm is 10), t is 2016……2024, i= number of individuals or cross section; t= number of periods; ε_t= white noise, γ_0 is the constant value, β_2 is the coefficient estimation of the explanatory variables, ε_{it} is the error variance between the entities in the model, μ_i is the firm-specific effect.

3.1 Description of Variables

Variables	Description	Measurement
	Independent Variables	
	PRICE LEVEL	
EY	It indicates how much money a company makes for each share of its stock.	Measured by earnings per share divided by the market price of shares.
CFY	It is a financial solvency ratio that compares the cash flow per share a company is expected to earn against its market value per share	Measured by cash flow (operating cash flow) divided by current share price.
DIV	It refers to the yearly dividend yield	Measure by the current dividend rate divided by earnings per share.
	GROWTH POTENTIALS	
ATG	It is the growth level of assets of a company within a period	Log of total assets of the company within the period (year-on-year growth rate)

ROE	It is the return on investment that equity holders of the organisation are expecting at the end of each financial period	Measured by dividing PAT/Common stock equity
ROA	It is the return on the investment decision gained within an accounting period generated by the assets of the organisation.	Measured by dividing PBIT/Total asset
PM	It is the earnings before interest and other expenses, deducted from the gross profit	Measured by Net Operating Income divided by Total Sales
LIQUIDITY		
MCAP	It is the value of a company trading on the stock exchange market	It is the current market capitalisation for an individual company as at 31st December. It is calculated by multiplying the total number of shares by the current share price
RISK		
DER	It is the financial ratio indicating the relative proportion of equity and debt used to finance a company's assets, which is an indicator of the financial leverage.	Measured by total liabilities divided by equity or shareholders' fund.
Dependent Variables		
Stock Price	It is the current prevailing market price of a company's security on the stock exchange market	As at the day's closing period of the year.

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4.0 Results and Discussion
4.1 Descriptive Analysis

	SP	EY	CFY	DIV	PER	ATG	ROE	ROA	PM	MC	DER
Mean	44.38672	1.743699	5.466250	0.127728	10.43436	7.826970	-0.027714	0.085279	0.075034	4.751208	2.788441
Median	14.01000	0.173108	5.631629	0.070844	4.444882	8.074999	0.170645	0.093027	0.076294	28185640	1.402059
Maximum	41.08000	27.01062	7.121783	1.641509	87.40000	9.021534	3.031374	0.478573	0.540398	8.021109	103.6188
Minimum	1.900000	-44.27521	3.464055	-0.315000	-10.97147	6.184097	-25.33779	-0.688878	-0.499337	642052.0	-10.30436
Std. Dev.	10.17175	9.266298	1.016152	0.229815	17.22340	0.741703	2.745290	0.156990	0.131167	1.312309	11.12095
Skewness	2.456205	-0.664251	-0.420650	4.206304	2.649584	-0.534013	-8.826106	-1.258892	-0.569044	3.744241	8.399703
Kurtosis	7.962607	10.92090	2.045416	25.37373	10.52821	2.401693	82.11414	9.363399	8.221174	17.64884	76.84203
Jarque-Bera	182.8472	241.8958	5.936394	2142.584	317.8317	5.619935	24639.93	175.6203	107.0846	1014.997	21505.74
Probability	0.000000	0.000000	0.051396	0.000000	0.000000	0.060207	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	39948.05	156.9329	481.0300	11.49553	939.0927	704.4273	-2.494216	7.675119	6.753065	4.282210	250.9597
Sum Sq. Dev.	92083336	7641.920	89.83309	4.700525	26401.45	48.96098	670.7591	2.193472	1.531234	1.531220	11007.11
Observations	90	90	90	90	90	90	90	90	90	90	90

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Note: SP (Share price), EY (Earnings yield), CFY (cash flow yield), DIV (Dividend), PER (Price earnings ratio), ATG (asset growth), ROE (Return on equity), ROA (return on asset), PM (Profit margin), MC (Market capitalization), DER (Debt-to-equity ratio).

The average share price among the firms is ₦44.39, while the median share price is only ₦14.01. This large difference suggests that the distribution of share prices is positively skewed. In other words, although many firms have relatively low share prices, a few firms have very high share prices, which are pulling the mean upward. The positive skewness value of 2.46 confirms that the distribution is right-skewed. This means a few firms have exceptionally high share prices, which are not typical of the majority. A kurtosis of 7.96 is much higher than the normal value of 3, indicating a leptokurtic distribution. This suggests the data has a sharp peak and fat tails, meaning there are more extreme values (both very high and very low share prices) than would be expected in a normal distribution.

The mean earnings yield is 1.74, higher than the median of 0.17, which implies the data is positively skewed by a few firms with unusually high earnings returns. However, the negative skewness (-0.66) contradicts this slightly, suggesting that although a few values are high, there are more firms with lower-than-average yields. The kurtosis (10.92) indicates a very peaked distribution with extreme outliers on either end. With a mean of 5.47 and a median of 5.63, the

distribution of cash flow yield is fairly symmetric, supported by a mild negative skewness (-0.42). This indicates a slightly longer left tail, where a few firms have relatively low yields. The kurtosis (2.05) is close to normal (3), suggesting a distribution that is not overly peaked or flat and contains moderate outliers.

The average dividend is 0.13, but the median (0.071) is much lower, indicating a positively skewed distribution. The very high skewness (4.21) reveals that while most firms pay low or no dividends, a few pay exceptionally high dividends, inflating the mean. The extremely high kurtosis (25.37) confirms a leptokurtic distribution with severe outliers.

The mean PER is 10.43, more than double the median of 4.44, suggesting that a few firms have very high valuations, creating a right-skewed distribution. The skewness value of 2.65 supports this, and the kurtosis of 10.53 indicates that the data is sharply peaked and contains many extreme values. The mean asset growth is 7.83, slightly lower than the median of 8.07, indicating a relatively symmetric distribution. The negative skewness (-0.53) suggests a slight leaning toward firms with lower asset growth, while the kurtosis (2.40) indicates a distribution slightly flatter than normal, with moderate variation but few outliers.

The average ROE is -2.77%, indicating that, on average, firms are generating losses on shareholder equity. The median of 17.06% is much higher, suggesting that most firms are profitable, but a few have extremely negative returns, pulling the mean downward. The extremely negative skewness (-8.83) and very high kurtosis (82.11) reveal a distribution with a long left tail and numerous extreme losses. The mean ROA is 8.53%, slightly below the median (9.30%), indicating a fairly symmetric distribution, although the negative skewness (-1.26) suggests a mild lean toward negative returns for some firms. The kurtosis (9.36) suggests a peaked distribution with significant outliers, mostly on the low-performance side.

The mean profit margin is 7.5%, closely matching the median (7.6%), which suggests symmetry. However, the skewness is slightly negative (-0.57), showing a longer tail of firms with lower or negative profit margins. The kurtosis (8.22) shows a peaked distribution with heavy tails, suggesting many firms deviate from the average, particularly on the downside. The value is around ₦4.75 million, whereas the median is over ₦28 million, which is unusual. This means market cap likely indicates a data entry or formatting issue (possibly an error in scaling). Nonetheless, the positive skewness (3.74) shows a distribution with a few very large firms dominating the market. The kurtosis (17.65) confirms strong outliers, indicating a heavy concentration of market value in a few firms. The mean DER is 2.79, while the median is 1.40, indicating a right-skewed distribution. The **very** high skewness (8.40) and extremely high kurtosis (76.84) suggest that while most firms have moderate leverage, a few firms have extremely high debt levels, which could indicate financial distress or aggressive capital structuring.

4.2 Correlation Matrix

	SP	EY	CFY	DIV	PER	ATG	ROE	ROA	PM	MC	DER
SP	1										
EY	-0.0846	1									
CFY	-0.6022	0.0309	1								
DIV	-0.1492	-0.0079	-0.0258	1							
PER	0.1817	-0.1117	-0.1917	-0.1560	1						
ATG	0.2595	-0.2534	0.4234	-0.1291	0.1453	1					
ROE	0.0616	0.3203	-0.0221	0.0520	0.0804	-0.0668	1				
ROA	-0.0193	0.2105	-0.0934	0.0594	0.08386	-0.3176	0.3865	1			
PM	-0.1110	0.1825	-0.1621	0.1352	0.0143	-0.3809	0.2836	0.6618	1		
MC	-0.1213	-0.0636	-0.3671	0.1738	-0.1313	-0.4704	0.0285	0.1261	0.3755	1	
DER	-0.0200	-0.3298	-0.0055	-0.0657	-0.0200	0.0898	-0.5573	-0.2778	-0.2286	-0.0422	1

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The table above shows the relationship between the outcome variables and the independent variables. Share price has a positive relationship with price earnings ratio at 0.18, asset growth at 0.25, and return on equity at 0.06. Share price has a negative relationship with earnings yield at -0.08, cash flow yield at -0.60, dividend at -0.14, return on asset at -0.01, profit margin at -0.11, market capitalisation at -0.12 and debt-to-equity ratio at -0.02.

4.3 Variance Inflation Factor

Variables	Centered VIF
EY	1.296423
CFY	1.456703
DIV	1.065820
PER	1.209471
ATG	1.879731
ROE	1.137323
ROA	16.342655
PM	2.148879
MC	1.624909
DER	15.406677
C	NA

Author Compilation, 2025

The table above is the variance inflation factor that helps to examine the presence of multicollinearity between the independent variables, which is more robust in detection than the correlation matrix. The rule of the thumb is that the value before the decimal point must not ben more than five. From the above variables, it shows that return on asset and debt-to-equity ratio have high multicollinearity at 16.3 and 15.4. It implies that both variables cannot be used in the ordinary least squares analysis to avoid spurious results.

4.4 Panel Regression Analysis
Dependent Variable: Share price

Variable	Pooled	Fixed	Random
C	-537.67	103.022	-537.673
	(0.4967)	(0.9413)	(0.0808)
ATG	823.646	97.7445	823.646
	(0.0000)*	(0.6167)	(0.0000)*
CFY	-962.502	-82.913	-962.502
	(0.0000)*	(0.1873)	(0.0000)*
DIV	-420.837	-104.281	-420.837
	(0.1337)	(0.4543)	(0.0002)*
EY	4.2409	-1.3057	4.2409
	(0.5527)	(0.7224)	(0.1265)
MC	-1.5344	3.2084	-1.5344
	(0.0069)*	(0.4140)	(0.0000)*
PER	-7.7307	0.2537	-7.7307
	(0.0388)*	(0.8875)	(0.0000)*
PM	182.799	544.881	182.799
	(0.7566)	(0.0966)**	(0.4230)
ROE	30.981	120.897	30.9818
	(0.1899)	(0.0000)*	(0.0010)*
R^2	0.7426	0.9660	0.7426

Adjusted R^2	0.7165	0.9577	0.7165
Durbin Watson	0.8753	2.0455	0.8753
F-Statistics	28.4970	117.018	28.4970
Prob (F-statistics)	0.0000	0.0000	0.0000
Hausman Test		0.0640	

Author Compilation 2025   **p<0.05*; p<0.1****

The pooled regression model results depict that asset growth has a significant positive effect on share price, which also shows that a percentage increase in asset growth leads to an 823-unit increase in share price. Cash flow yield has a significant negative effect on share price, which also shows that a percentage increase in cash flow yield leads to -962 unit decrease in share price. Dividend has an insignificant negative effect on share price, which shows that a percentage increase in dividend leads to -420 unit decrease in share price. Earnings yield has an insignificant positive effect on share price, which also shows that a percentage increase in earnings yield leads to a 4.24 unit increase in share price. Market capitalisation has a significant negative effect on share price, which also shows that a percentage increase in market capitalisation leads to a -1.53 unit decrease in share price. Price earnings ratio has a significant negative effect on share price, which also shows that a percentage increase in price earnings ratio leads to a -7.73 unit decrease in share price. Profit margin has a significant positive effect on share price, which also shows that a percentage increase in Profit margin leads to a 182.7 unit increase in share price. Return on equity has an insignificant positive effect on share price, which also shows that a percentage increase in Return on equity leads to a 182.7 unit increase in share price.

The independent variable's explanatory power on the dependent variable is 74.26% and if an additional variable is included, it would still be explained at 71.65%. The overall statistical level of the model depicts that the model is good for forecasting, giving the F-statistics of 28.49 and its probability of 0.000.

The Fixed effect model results depict that asset growth has an insignificant positive effect on share price, which also shows that a percentage increase in asset growth leads to a 97.74 unit increase in share price. Cash flow yield has an insignificant negative effect on share price, which also shows that a percentage increase in cash flow yield leads to -82.91 unit decrease in share price. Dividend has an insignificant negative effect on share price, which shows that a percentage increase in dividend leads to -104.2 unit decrease in share price. Earnings yield has an insignificant negative effect on share price, which also shows that a percentage increase in earnings yield leads to a -1.30 unit decrease in share price. Market capitalisation has an insignificant positive effect on share price, which also shows that a percentage increase in market capitalisation leads to a 3.20 unit increase in share price. The price earnings ratio has an insignificant positive effect on share price, which also shows that a percentage increase in the price earnings ratio leads to a 0.25 unit increase in share price. Profit margin has a significant positive effect on share price, which also shows that a percentage increase in Profit margin leads to a 544.8 unit increase in share price. Return on equity has a significant positive effect on share price, which also shows that a percentage increase in Return on equity leads to a 120.89 unit increase in share price.

The independent variable's explanatory power on the dependent variable is 96.60% and if an additional variable is included, it would still be explained at 95.77%. The overall statistical level of the model depicts that the model is good for forecasting, giving the F-statistics of 117.01 and its probability of 0.000.

The Random effect model results depict that asset growth has a significant positive effect on share price, which also shows that a percentage increase in asset growth leads to a 823.6 unit increase in share price. Cash flow yield has a significant negative effect on share price, which also shows that a percentage increase in cash flow yield leads to -962.5 unit decrease in share price. Dividend has a significant negative effect on share price, which shows that a percentage increase in dividend leads to -420.83 unit decrease in share price. Earnings yield has an insignificant positive effect on share price, which also shows that a percentage increase in earnings yield leads to a 4.24 unit increase in share price. Market capitalisation has a significant negative effect on share price, which also shows that a percentage increase in market capitalisation leads to a 0.00 unit decrease in share price. Price earnings ratio has a significant negative effect on share price, which also shows that a percentage increase in price earnings ratio leads to a -7.73 unit decrease in share price. Profit margin has an insignificant positive effect on share price, which also shows that a percentage increase in Profit margin leads to a 183.7 unit increase in share price. Return on equity has a significant positive effect on share price, which also shows that a percentage increase in Return on equity leads to a 30.98 unit increase in share price.

The independent variable's explanatory power on the dependent variable is 74.26% and if an additional variable is included, it would still be explained at 71.65%. The overall statistical level of the model depicts that the model is good for forecasting, giving the F-statistics of 28.497 and its probability of 0.000.

The results show that the Hausman test diagnostic depicts the appropriate forecasting model. The results show that the appropriate model for forecasting is the random effect model, as the Hausman test with F (p-value) of 0.0640 shows the acceptance of the random effect model.

Table 4.4.1 Diagnostic Test

Test	Statistics	Prob
Breusch-Pagan LM	57.93022	0.0935
Pesaran scaled LM	1.362965	0.1729
Pesaran CD	1.520837	0.1283

Author's Compilation, 2025

The diagnostic tests conducted aimed to validate the presence of autocorrelation and heteroskedasticity in the regression model. The Pesaran scaled LM test returned a p-value greater than 0.05, indicating no evidence of autocorrelation. Similarly, the Breusch-Pagan LM test also produced a p-value above 0.05, suggesting the absence of heteroskedasticity in the model.

4.4.2 Discussion of Findings
The Hausman test indicates that the Random effect model shows that asset growth and return on equity have a significant positive effect on share price quoted manufacturing companies in Nigeria, while cash flow yield, dividend, market capitalisation and price earnings ratio have a significant

negative effect on share price of quoted manufacturing companies in Nigeria. It implies that asset growth and return on equity are key drivers of share price among quoted manufacturing companies in Nigeria, suggesting that investors reward firms that effectively grow assets and generate returns on equity. Conversely, the negative significant effects of cash flow yield, dividend, market capitalisation, and price-to-earnings ratio indicate that these factors may signal inefficiencies or investor scepticism. High dividends and large market caps might be perceived as mature firms with limited growth prospects, while negative perceptions of cash flow and valuation metrics may undermine investor confidence. These insights can guide investment decisions and corporate strategies. The findings above agree with the works of Muhammad & Ali (2018), Lamichhane (2018), Hutauruk (2022), Faisal et al. (2022) and Prastika et al. (2023) that price level measures and internal firm fundamental has a positive significant effect on share value, while the works of Suliama et al. (2019), Lamichhane (2018), and Dangol & Acharya (2020) disagree with the findings, but emphasise the relevance and effect of external factors influencing share price.

From the lens of agency theory, the significant positive effect of asset growth and return on equity on share price suggests that managers in these quoted manufacturing firms are effectively utilising resources and aligning investment decisions with shareholder interests, thereby reducing agency costs and enhancing firm value. Inclusively, the significant negative effects of cash flow yield, dividend, market capitalisation, and price-to-earnings ratio may reflect managerial opportunism or inefficiencies. For instance, managers may withhold cash or manipulate earnings expectations to serve personal interests, rather than distribute value-enhancing dividends or improve market perception. A high market capitalisation with a declining share price might signal market overvaluation due to poor internal governance or weak investor trust, highlighting the impact of information asymmetry and agency conflicts on valuation. Thus, the findings underscore how variations in firm fundamentals, when filtered through agency-related behaviours, can distort or reinforce the market's valuation of the firm.

5.0 Conclusion and Recommendation

The study concludes that the determinants of share price among quoted manufacturing companies in Nigeria are both financial performance and market valuation indicators. Specifically, asset growth and return on equity have a significant positive impact on share prices, indicating that investors value firms that expand their asset base and efficiently generate profits from shareholder equity. On the other hand, cash flow yield, dividend payout, market capitalisation, and price-to-earnings ratio exert a significant negative effect on share price. This suggests that these indicators may be viewed by investors as signals of lower future growth or inefficiencies. For example, firms with high dividend payouts may be perceived as lacking reinvestment opportunities, while large market capitalisation might imply maturity with limited upside potential. Additionally, negative sentiment around cash flow and earnings valuation could diminish investor confidence. Overall, the findings reflect investor preference for growth and profitability over size and short-term income, emphasising the need for strategic financial management to drive long-term shareholder value. Based on the findings, manufacturing firms listed on the Nigerian Stock Exchange should prioritise asset expansion and profitability enhancement, as these have a direct positive effect on share prices. The strategic and tactical level management should focus on strategic investments that increase productive capacity and generate higher returns on equity. Furthermore, the manufacturing firms should carefully assess their dividend policies, ensuring they strike a balance between rewarding shareholders and retaining sufficient earnings for reinvestment in value-creating projects. Given the negative impact of cash flow yield and price-to-earnings ratios, manufacturing companies should

improve transparency and efficiency in managing operational cash flows and earnings quality. Investors appear cautious of firms with inflated valuations or inconsistent cash flows, so building investor confidence through sound financial reporting and prudent financial practices is essential. Conclusively, regulators and stakeholders should promote financial literacy and investor education, enabling market participants to interpret financial signals effectively and make informed investment decisions. This will enhance the efficiency of the capital market and support sustainable growth in the manufacturing sector.

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