



## **Impact of Movement Pattern of Share Prices Among Quoted Banks In Nigeria**

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### **ABSTRACT**

This study analyzed the factors influencing the share prices in the Nigerian banking industry. Purposive sampling technique was used to select a sample of 16 banks out of the total population of 22 Deposit Money Banks listed on the Nigerian Stock Exchange. Secondary data was used for this study which was derived from the audited financial statements of the sixteen (16) selected Deposit Money Banks for the period of 2006 - 2016. This was the period the banking industry passed through series of reforms that led to increase in its capital base. This study also made use of books and other related materials especially the Nigerian Stock Exchange (NSE) Fact Book (2016). Some of the annual reports that were not available in the NSE fact book were downloaded from their corporate websites. Panel data methodology was adopted because it combines time series and cross sectional data. The methods of data analysis were descriptive statistics, correlation and regression techniques. Results indicated that there are positive and significant relationships between share prices of the selected Deposit Money Banks and their EPS, PE, NAV and NPAT but a negative and significant relationship with DPR. Result also showed that DPR, PE, NPAT, NAV and EPS significantly and positively affect the banks' share prices. The study concluded that EPS, PE, DPR, and NAV are major predictors of share prices of quoted banks in Nigeria.

**Keywords:** Bank Stock prices, Earning Per Share, Dividend Payout Ratio, Financial Meltdown.

### **INTRODUCTION**

Globally, banking sector is an important arm and germane to the development of the economy. The role of the banking system in mobilizing and channeling of funds to the real sectors of the economy cannot be taken for granted. Sound financial system is recognized as a necessary and sufficient condition for rapid growth and development for every modern economy. Therefore, crisis in the financial system equally means crisis in the economy. The banking system and the stock exchange work together to achieve the macro-economic objective of the economy, the bank being the custodian of money help through the stock exchange to pool large and long term capital resources through issuing of shares and stocks by industries in dire need of finance for expansion purposes. Thus, the overall development of the economy is a function of how well the stock market performs (Lawal, Nurudeen and Abiodun, 2012).

The stock market plays a significant role in the economy of a country an important role in the allocation of resources, both directly as a source of funds and as a determinant of firms' value and its borrowing capacity (Tease, 1993). It provides boulevard for investment and capital formation and can act as an indicator or predictor of overall economic condition. (Tease et al., 1993). Considering its importance therefore, there is the need to understand the issues surrounding share price and its determinants has been the bane of the financial disposition of numerous corporations today. Investor participation in the assets of a company is usually affected by its share price history, which summarizes the quality of operations of the company (Gill et al, 2012). It is pertinent to note that after more than thirty five years of trading on the Nigerian stock exchange, brokers are yet to evolve an acceptable and uniform pricing formulae for securities quoted on the exchange. There are instances of brokers justifying movement in the price of a security solely on account of demand or clients instructions without reference to other parameters of price determination.(Uddun, 2009).

Factors affecting asset prices are numerous and inexhaustible. The factors can be categorized into firm, industry, country and international or market and non-market factors, and economic and non-economic factors. All the factors can be summarized into two classes - micro and macro factors. Factors in each class of the classification are also inexhaustible. For instance, the firm or internal factors including ownership structure, management quality, labor force quality, earnings ratios, dividend payments, net book value, or external factors such as interest rate, government regulations, foreign exchange rate, leverage, payout ratio, etc. Factors that influence share and several of such factors have been identified by previous empirical research. The pioneering work on share price determinants by Collins (1957) identified dividend, net profit, operating earnings and book value as the factors influencing share prices. Following Collins, there have been various attempts to identify the determinants of share prices for different markets.

The banking industry has witnessed tremendous increase in the minimum paid-up share capital over the years which resulted in the large volume of shares available in the Nigeria Stock Exchange for trading. The period between 1990 and 2005 witnessed changes and great development in the share capitals of the banking industry due to the monumental distress witnessed and low financial base of the banks. This led to the Central Bank of Nigeria's various reform programmes that increased the minimum share capitals at various times. It was noted that the commercial and merchant banks minimum share capital was changed to ₦50 million and ₦40 million respectively in February 1990 from ₦20 million and ₦12 million. It was also increased to a uniform level of ₦500 million for both commercial and merchant banks with effect from 1st January, 1999 (Asogwa, 1999). It was also observed that the Central Bank of Nigeria adopted universal banking principle and further increase minimum share capital to ₦1 billion for existing banks and ₦2 billion for floating new ones and that in July, 2004, the Central Bank of Nigeria also increased the minimum share capital to ₦25 billion in December, 2005 giving this period as compliance period for all banks (Somoye et al., 2009). The 89 banks in Nigeria went into merger arrangements which reduced the number of banks in Nigeria to 25 and also approach the public through the Nigeria Stock Exchange to subscribe to their shares. In the year 2009, there was a great slump in the prices of stocks in the capital market which made the trading in shares of banks and other quoted companies less attractive to investors and coupled with the financial recklessness of the management of the organizations and loss of corporate focus (Somoye et al., 2009).

### **Statement of the Problem**

Shares constitute the mainstay and life wire of every quoted company. It is the cheapest source of financing an organization. In case of liquidation or distress of an organization, shareholders will automatically lose their holdings and payment can only be made after all creditors have been satisfied. Investors normally prefer to invest in stocks that will produce future benefits. The failure to understand the issues surrounding share price and its determinants has been the bane of the financial disposition of numerous corporations today Sanusi L (2012).

Over the years, macro and micro - economic variables have taken different values alongside the stock price index. Researchers have endeavoured to study the nature of relationship existing between these variables and the stock prices within the banking industry and other quoted companies (Hartone, 2004; Amidu and Abor, 2006; Chang et al., 2008; Somoye et al., 2009, Sharma, 2011; Nirmala et al, 2011; Bhatt and Sumangala, 2012).

However, from review of literature this subject matter remains open for further research. Literature also revealed that share prices determination is a very much diverse and conflicting area of finance; and that every aspect of this phenomenon has disagreement; that from the basic philosophy to the econometric models there are different schools of thought (Amidu and Abor, 2006; Somoye et al., 2009; Bhatt and Sumangala, 2012). Review also portends that literature to explain the contextual characteristics of the banking industry and the stock market in Nigeria is very sparse. All of these findings create the need for further studies and thus inspire this study to examine determinants of share prices in Nigerian quoted banks and enunciate the nature of relationship between them.

### **Objective of the Study**

The broad objective of this study is to examine the factors that influence share prices of quoted banks in Nigeria. The specific objective is to analyze the factors influencing the share prices of the selected quoted banks in Nigeria.

### **Justification for the Study**

This study contributes to available literature to explain the Nigerian banking industries' contextual features and the stock market and it also contributes to the quest of researchers towards understanding predictors of share prices, their effects and association with the stock market especially in Nigeria and Africa at large.

## **LITERATURE REVIEW**

### **Conceptual Review**

#### **Return on asset (ROA)**

This ratio is calculated as net profit after tax divided by the total assets. This ratio measure for the operating efficiency for the company based on the firm's generated profits from its total asset. ROA ranks as one of the most extensively used variables in determining a firm's profitability. It has striking similarity with EPS since the net income figure is used in the formula to compute for both variables.

#### **Earnings Per Share (EPS)**

In an attempt to include and equity information in the same measurement, a computation known as Earnings Per Share (EPS) was developed (CFA, 2008). EPS is reported to be closely related to terms like net profit, profitability, and outstanding common shares. A firm's profitability takes on additional meaning when the number of shares outstanding is taken into consideration. Thus EPS, together with its changes from period to period, is an important measure of an entity's profitability. In Philippine Accounting Standard (PAS), Earnings Per Share has been formulated and implemented to guide accountants all over the world in the uniform computation and disclosure of EPS on the firm's financial statement.

The presentation of earnings per share on the face of the income statement is required for enterprises whose ordinary shares or potential ordinary shares are publicly traded and by enterprises that are in the process of issuing shares or potential ordinary shares in the public securities market (Valix and Peralta, 2009). In short, public enterprises are required to present earnings per share. Non-public enterprises are not required to present earnings per share; nevertheless, such enterprises are encouraged to present earnings per share to achieve comparability in financial reporting.

#### **Net Profit After Tax (NPAT)**

This ratio is calculated as net profit after tax divided by the total assets. This ratio measure for the operating efficiency for the company based on the firm's generated profits from its total assets. Buffett's philosophy of value investing emphasizes purchasing stocks of stable companies and retaining the stocks for a long period; the quality of a company is evaluated based on whether it can earn cash. Additionally, the company should be able to gain profits under any conditions. Based on these principles, Cheng and Wang in 2014 in their study established the profits, dividend, and free cash flow (PDF) model, which can be used to select companies based on the following three criteria: (a) Profitability, (b) Dividends and (c) Free cash flow.

The goal of the first criterion was to fulfill Buffett's criterion that a stable company should be able to acquire profits under any conditions. The second criterion involved using dividend yield for the selection of value stocks at a low price. The third criterion required for use of free cash flow to select companies with cash inflow; this was based on Buffett's recommendation of purchasing stocks from a company that has cash inflow.

#### **Earnings and Stock Price**

Ball and Brown (2008) asserted that a company's earnings report can change investors' expectations toward future stock returns. Because of these findings, empirical studies on the usefulness of accounting information became the focus of capital market research, and numerous domestic and foreign studies have subsequently explored the relationship between earnings and stock prices; these studies are reviewed in this section. Ball and Brown (2008) investigated the relationship between accounting earnings changes and stock returns by examining a sample of 260 companies listed in the York Stock Exchange between 1989 and 2005. Changes in annual annual earnings-per-share after t

Freeman (2007) examined the monthly data of companies listed in the New York Stock Exchange between 1986 and 2002 to investigate the association between company size and earnings information, as well as stock prices. The result revealed that the correlation between earnings information and stock prices was significantly influenced by company size. Specifically, the stock price reaction to earnings in large companies occurred earlier than did that in small companies; the cumulative abnormal return in small companies was higher than was that in large companies

### **Review of Empirical Researches**

Empirical review of literature on dividend policy and stock prices presages quite a number of empirical researches. Aharony and Swary (1980) investigates effects announcement of increased dividend payments in conjunction with quarterly earnings announcements on stock price using naive expectations model ( $Exp.Dj,q = Act.Dj,q-l$ ). They found that the announcement of increased dividend payments in conjunction with quarterly earnings announcements provide useful information for an increase in stock price.

Brickley (1983) conducted research on the regular dividends/special designated dividend (SDD) in conjunction with increased wealth for shareholders. Result obtained support the signaling theory where increasing dividend payments to the market contain information about the outlook for dividends and earnings in the future. The study also found that regular dividends have information that is more positive than the announcement of SDD.

Bajaj and Vijh in 1990 used sample period of 1962 – 1987. Finding shows that the rate of dividend has a significant influence in the direction of stock price movement. The study also found that the influence of the degree to dividend on stock prices is stronger in companies with small scale. Han et al., (1999) examined the relationship between institutional ownership with a dividend payment policy, using a sample of 303 companies obtained the presence of a positive relationship between institutional ownership with a dividend payment policy.

DeAngelo and Skinner (2002) conducted a study to prove whether dividend is less informative/disappearing based on the signaling theory. The study also found that, the dividend policy still have information content, especially in small-scale firms that are less well-known and seldom featured in newspaper. Ammihud and Li (2002) conducted research on the content of the information contained in dividend payout policy. This research used samples size of 16 companies that pay dividends within an observation period between 1962-2000. They concluded that the disappearing dividend phenomenon occurred with an associated decreased information content contained in dividend payout policy. Thomsen (2004) using the generalized method of moment's analysis of the results obtained a negative relationship between institutional ownership with a dividend payout ratio. These findings indicate that high-ownership institutions encourage the increase in retained earnings, thus lowering the value for minority shareholders.

Brav.et.al. (2005) conducted a survey on dividend payout policy in the 21st century. The survey involved 384 financial executives with a depth interviews by asking about 23 factors that determine the dividend policy. Mian and Musarat (2010) also conducted a research to study the impact of company disbursement policy on share price instability. They inspected the sample of 73 firms for the period of last six years from 2003-2008. They used a methodology based upon fixed effect and random effect model regression analysis between the dividend policy and stock price. Other variables such as size leverage, growing and earning. Findings suggest that dividend policy has a strong effect on share price volatility.

### **METHODOLOGY**

**Sampling Method and Sample Size:** Purposive sampling technique was used to select a sample of 16 deposit money banks out of the total population of 22 deposit money banks listed on the Nigerian Stock Exchange.

**Sources of Data:** The data collected for this study were obtained through the Secondary source. The data used for analysis were extracted from the audited annual financial reports and accounts of the selected sixteen (16) deposit money banks for the period of 2006-2016.

**Data Analysis Techniques:** Both descriptive statistics and inferential statistics were employed to analyse that data. The descriptive statistics was used to summarize the collected data in a clear and understandable way using numerical approach. The inferential statistics such as correlation and techniques were used to examine the relationship between the dependent and independent variables.

**Reliability and Validity:** Secondary data for the study were drawn from audited accounts of the selected banks as fairly accurate and reliable. In addition, Hausmans test and Heteroskedasticity test were performed to ascertain the reliability of data used.

**Model Specification**

The economic model used in the study is given as: Share Prices = f (NPAT, NAV, EPS, DPR,PE)

$$\text{Share Prices} = \beta_0 + \beta_1 \text{NPAT} + \beta_2 \text{NAV} + \beta_3 \text{EPS} + \beta_4 \text{DPR} + \beta_5 \text{PE} + \mu_i \dots \dots \dots (1)$$

Where:

$\beta_0$  = Constant of the model

$\beta_1$ -  $\beta_5$  = Coefficients of the model

NPAT = Net Profit after Tax

NAV = Net Asset Value

EPS = Earnings Per Share

DPR = Dividends Payout Ratio

PE = Price-to- Earnings Ratio

$\mu_i$  = Random error term representing factors other than those specified in the model.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

Table 1: Descriptive Statistics of the Variables Involved in the Study

	SHARE_PRICE	NPAT	NAV	EPS	DPR	PE
Mean	9.420171	5897790.	66191280	1.350000	0.013675	18.31473
Median	7.500000	737149.0	28000000	0.890000	0.000000	6.465520
Maximum	48.61000	62000000	910000000	6.380000	0.330000	190.8750
Minimum	0.500000	493.0000	5793.000	-1.530000	0.000000	-22.94120
Std. Dev.	8.621021	10570585	124000000	1.421028	0.048220	32.24386
Skewness	2.203194	2.979447	4.126455	1.492144	4.698725	3.133582
Kurtosis	9.460498	13.24894	24.15637	5.234020	27.13721	13.97414
Jarque-Bera	298.1272	685.1775	2514.051	67.74699	3270.719	778.5816
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	1102.160	6.90E+08	7.74E+09	157.9500	1.600000	2142.824
Sum Sq. Dev.	8621.352	1.30E+16	1.79E+18	234.2412	0.269720	120601.3

**Source: Authors’ Computation (2017)**

Table 1 presents the frequency count, minimum, maximum, mean and standard deviation of all variables used in this study. From the table, Share price ranges from N0.50 to N48.61 with an average value of N9.24 and a standard deviation of N8.35. Net profit after tax (NPAT) hovers around N493.00 and N62000000. On the average its value account for N5897790 with a standard deviation of N10570585. In addition, Net asset value has a minimum value of N5793.000 and a maximum of N 910000000. On the average it is N66191280 with a standard deviation of N28000000. Earnings per share (EPS) hovers around –N5.26 and N6.38 with an average of N1.31 and a standard deviation of N5.52. Dividends payout ratio ranges from no dividends to maximum of 0.33, on the average the

value is 0.01 while the standard deviation is 0.05. Price-to-earnings ratio (PE) ranges from -22.94 to 190.88 with an average value of 17.28 and a standard deviation of 31.47.

**Correlation Analysis**

**Table 2: Correlation Analysis**

	SHARE_PRICE	LN_NPAT	LN_NAV	EPS	DPR	PE
SHARE_PRICE	1.0000					
EPS	0.016 (0.1839)	1.0000				
PE	0.3990*** (4.8260)	-0.2798*** (3.0481)	1.0000			
LN_NPAT	0.0046 (0.0512)	0.1358 (1.5206)	-0.1255 (-1.4036)	1.0000		
LN_NAV	0.1822** (2.0558)	0.0207 (0.2306)	-0.1062 (-1.1850)	0.2650*** (3.0481)	1.0000	
DPR	-0.1957** (-2.2133)	0.037381 (0.4148)	-0.1046 (-1.1666)	-0.0682 (-0.7582)	0.1019 (1.1365)	1.0000

Source: Authors' Computation (2017)

Note: \*, \*\*, \*\*\* indicate significance at the 10%, 5% and 1% levels of significance respectively

Table 2 presents the results of preliminary correlation analyses among the variables used in this study. This exercise serves two important purposes. First is to determine whether there are bivariate relationship between each pair of the dependent and independent variables. The second is to ensure that the correlations among the explanatory variables are not so high to the extent of posing multicollinearity problems. From the table, share price is significantly related to price to earnings ratio, net asset value and dividends payout ratio. Finding from this study pointed out a positive relationship between share price, price to earnings ratio, net asset value and dividends payout ratio (but a negative relationship with dividend payout ratio; the result which agrees with Sajid (2010) who shows that share price correlate negatively with both dividend yield and payout ratio). This implies that higher values of share price are associated with higher values of price to earnings ratio, net asset value and dividends payout ratio. However, earnings per share and net profit after tax are not significantly associated with share price.

**Table 3: Summary of ADF Statistics (Unit Root Test)**

Variable	ADF test		Statistic Value			Remarks
	At Level	P-Value	1 <sup>st</sup> diff	P-Value	2 <sup>nd</sup> diff	
SP	1.348	0.629			15.57	0.000** Stationary at 2 <sup>nd</sup> diff
DPR	0.281	0.921	0.67	0.84	0.90	0.000*** Stationary at 1 <sup>st</sup> & 2 <sup>nd</sup> dif.
PE	0.280	0.914	0.68	0.83	11.98	0.00 ** Stationary at 1 <sup>st</sup> & 2 <sup>nd</sup> dif.
NPAT	1.63	0.44			9.92	0.000*** Stationary at 2 <sup>nd</sup> diff.
NAV			4.25	0.014	4.65	0.002 ** Stationary at 1 <sup>st</sup> & 2 <sup>nd</sup> diff.
EPS			5.09	0.004	8.32	0.000 ** Stationary at 1 <sup>st</sup> & 2 <sup>nd</sup> diff.

Source: Data Analysis, 2017

The result from Table shows that most of the explanatory variables are less correlated with other explanatory variables, thus limiting the chances of multicollinearity. Based on this we conclude that there is no multicollinearity problem in our model.

**Table 4: Regression result**

Variables	Pooled	Fixed	Random
EPS	0.0960* (1.7870)	0.1141** (2.2850)	0.1141** (2.3915)
PE	0.0139*** (5.3354)	0.0134*** (7.2216)	0.0135*** (7.3325)
LN_NPAT	-0.0216 (-0.4815)	0.0068 (0.1919)	0.0050 (0.1458)
LN_NAV	0.1007*** (3.0961)	0.0188 (0.5340)	0.0339 (1.0347)
DPR	-3.7602** (-2.2943)	0.2665 (0.2055)	-0.1963 (-0.1543)
C	0.1896 (0.2566)	1.0461 (1.3445)	0.8247 (1.1105)
F-Statistics	8.4339 (0.0000)	13.1576 (0.0000)	11.1243 (0.0000)
R-Squared	0.2616	0.7167	0.3185
Durbin-Watson stat	0.956192	2.252689	0.809920
Redundant Fixed Effects Tests	11.139170 (0.0000)		
Hausman	6.0644 (0.3000)		
ECM	-0.256373 (0.0211)		

Source: Authors' Computation (2017)

Note: \*, \*\*, \*\*\* indicate significance at the 10%, 5% and 1% levels of significance respectively

From Table 4, the value of the Redundant Fixed Effects is 11.139170;  $P < 0.05$ . We therefore, reject the Null hypothesis that states that there is no significant difference in all fixed effects. We thus, accept the alternative hypothesis and conclude that there is significant difference in fixed effects of the independent variables and that there is unobserved heterogeneity among bank considered in this study.

Result also reveals the value of the Hausmans test as (6.0644.  $P > 0.05$ ). We therefore accept the Null hypothesis that states that there is no systematic difference in the coefficient of Fixed and Random. The Table 3 further shows the F-stat value of the regression analysis as (11.12,  $P < 0.05$ ). This result implies that the explanatory variables have significant joint effect or are jointly and statistically significantly explaining variations in share price. The Table further shows the R-square value as 0.3185 indicating that the explanatory variables jointly account for about 31.85 percent variation in share price. In addition, result shows that earnings per share and price earnings ratio are significantly impacted share price. They are therefore significant drivers of share price of banks in Nigeria. From the result, earnings per share are positively and significantly related to share price at 5 percent level. Share price will increase by 11.41 percent given a 100 percent increase in earnings per share of banks. The positive relationship between earnings per share and share price conforms to our apriori expectation and it is in tandem with results of various studies on earnings and share prices. Price earnings ratio is also statistically significant related to share price and at 1 percent level. This shows that a 100 percent increase in price to earnings ratio will lead to 1.35 percent increase in share price of banks in Nigeria.

The result also show from fixed effect that Durbin – Watson statistics = 2.253. The test of serial correlation therefore showed no evidence of positive serial correlation in the model as shown with the Durbin Watson statistics. The result also shows that the ECM value is -0.256 and that it is significant at 5% critical value. This finding implies that lagged value of ECM is 25.6% indicating a feedback of or an adjustment of 25.6% from the previous period disequilibrium of the present level of share price in the determination of causality between the past level of share price and the present and past level of the determinant variables.

Finding of this study as enunciated above affirms to an extent the claim of Reaz, Zahidur and Rajib (2013) in their study Determinants of Stock Prices in Financial Sector Companies in Bangladesh - A Study on Dhaka Stock Exchange (DSE) that EPS, NAV and PE have significant and positive

relationship and effect on share prices of financial houses in Bangladesh. The result of this study however, disagrees with: Zahidur and Rajib's claim that NPAT have significant impact and relationship with share price. Finding of this study also affirms the claims of: Irfan and Nishat (2002) in their study; Key Fundamental Factors and Long-run Price Changes in an Emerging Market - A Case Study of Karachi Stock Exchange (KSE) that dividend payout ratio among other exploratory factors have significant relationship and effect on share prices of the financial companies in Pakistan; Pradhan (2003) who reported that Dividend Payout Ratio bears significant relationship and influence on share prices in Nepal; AL-Omar and AL-Mutairi (2008) who presage in their study; The Relationship Between the Kuwaiti Banks Share Prices and Their Attributes that Earning Per Share among that factor have significant relationship and influence on share prices in Kuwait; Somoye, Akintoye and Oseni (2009)'s claim in their work Determinants of Equity Prices in the Stock Markets that earnings per share among other exploratory factors have positive and significant relationship and influence on share prices of banks in Nigeria and Uddin (2009)'s findings in his study; Determinants of market price of stock: A study on bank leasing and insurance companies of Bangladesh that dividend, earning per share, net asset value are determinant of prices of stock of financial houses in Bangladesh.

To test whether there is unobserved heterogeneity among banks, we employed the Redundant Fixed Effects Tests. Based on this test value of 11.139170 ( $P < 0.05$ ), we reject the Null hypothesis that the fixed effects are all equal to each other, thus we accept the alternative hypothesis and conclude that there is unobserved heterogeneity among bank considered in this study.

Going by the result of the presence of unobserved heterogeneity among banks, we employ the Hausman test statistics to examine whether the unobserved heterogeneity is fixed or random. The Hausmans test result value of (6.0644,  $P > 0.05$ ), we thus accept the Null hypothesis that differences in the coefficient of Fixed and Random effect is not systematic; based on this we accept and interpret the random effect model. From the diagnostics statistics, the F-statistics value of (13.16,  $P < 0.05$ ) implies that the explanatory variables are jointly statistically significant in explaining variations in share price. In addition the R-square value of 0.7167 from fixed effect indicates the explanatory variables jointly account for about 71.67 percent variation in share price. This showed that the variables are of good fit to measure variations in the stock price, the high value of R-squared is an indication that DPR, PE, NPAT, NAV and EPS of the banks accounts for 71.67 percent systematic variation in the share prices while other factors that were not captured in the model which may affect the share prices account for just 28.33 percent. Specifically, findings from this study show that EPS and PE are the significant drivers of share price of banks in Nigeria. The result also show from fixed effect that Durbin – Watson statistics = 2.253. This implies that the test of serial correlation showed no evidence of positive serial correlation in the model as shown with the Durbin Watson statistics of 2.253.

Result of the study also shows that the ECM value is -0.256 and that it is significant at 5% critical value. ECM refers to the speed of adjustment in cognizance with appropriate sign. Error Correction Mechanism ECM(-1) involves leading and lagging of the variables while ECM2 introduces short-run dynamism into the long run equilibrium. ECM would proffer an understanding of how fast share prices adjust to the exploratory variables. Findings from the result presented above therefore infer that ECM though significant is negative as could be seen in the value -0.256. This therefore means that share price adjust rapidly to changes in EPS, PE, NAV, NPAT, and DPR, respectively. This finding portends therefore that lagged value of ECM is 25.6% indicating a feedback of or an adjustment of 25.6% from the previous period disequilibrium of the present level of share price in the determination of causality between the past level of share price and the present and past level of the determinant variables. This coefficient of the lagged error-correction term, however, is a short-term adjustment coefficient and represents the proportion by which the long-term disequilibrium (or imbalance) in the dependent variable is being corrected in each short period.

## DISCUSSION OF FINDINGS

Results reveal that the unit root test shows that all the explanatory variables were stationary. Whilst, the Vector Error Correction Model test shows that the share prices adjust rapidly to changes in the explanatory variables respectively; demonstrating a lagged value of ECM 25.6% which implies a feedback of or an adjustment of 25.6% from the previous period disequilibrium of the present level of share price in the determination of causality between the past level of share price and the present and

past level the determinant variables. The Panel GMM shows that of the exploratory variables employed in the study, only price earnings ratio is positively and significantly related to share price in the long run.

The result also shows that the sampled banks' share prices exhibit a random distribution pattern between 2007 and 2016. The result also portends that there are positive and significant relationships between share prices of the selected banks and their EPS, PE, NAV and NPAT but a negative but significant relationship with DPR. Result also shows that DPR, PE, NPAT, NAV and EPS significantly and positively affect the banks' share prices but that EPS AND PE are the main determinants of the banks' share prices.

The result also showed that the R-squared value indicated that EPS, PE, NPAT, NAV and DPR of the banks accounts for 71.7 percent systematic variation in the share prices. The F-statistics also showed joint statistical significance among EPS, PE, NPAT, NAV and DPR implying these variables as determinants of the banks' share prices. Durbin Watson statistics also showed that there is no evidence of positive serial correlation in the model.

## CONCLUSION

Based on the findings, the study concluded that all the exploratory variables exhibit a high level of consistencies as revealed by descriptive analysis and are all positively correlated with the share price except the dividend payout ratio and are all stationary; that movement pattern of share prices of banks in Nigeria between 2007 and 2016 exhibit a random distribution pattern; that EPS, PE, DPR, and NAV influenced share prices of quoted banks in Nigeria but that EP and EPS are the main determinants of share prices of banks in the country with EP having long-run relationship with share price. It is also concluded that the result of this study can be generalized across the banks in Nigeria since the 16 sampled banks account for more than 50% of the banks in Nigeria.

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