

Firm Performance and Stock Price in Nigeria

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Abstract : The recent global crisis which suddenly results to Nigerian stock market crash revealed some peculiarities of Nigerian firms. Some firms in Nigeria are performing but their stock prices are not increasing while some firms are at the brink of collapse but their stock prices are increasing. Thus, this study examines the relationship between firm performance and stock price in Nigeria. The study covered the period of 2005 to 2009. This period is the period of stock boom and also marked the period of stock market crash as a result of global financial meltdown. The study is a panel study. A total of 140 firms were sampled from 216 firms listed on the Nigerian Stock Exchange (NSE). Data were collected from secondary source. These data were divided into four strata comprising the most performing stock, the least performing stock, most performing firms and the least performing firms. Each stratum contains 35 firms with characteristic of most performing stock, most performing firms, least performing stock and least performing firms. Multiple linear regression models were used to analyse the data while statistical/econometrics package of Stata 11.0 version was used to run the data. The study found that, relationship exists between selected firm performance parameters (operating efficiency, firm profit, earning per share and working capital) and stock price. As such firm performance gave sufficient information or has predictive power on stock prices movements in Nigeria for all the years under study.. The study recommends among others that Managers of firms in Nigeria should formulate policies and exert effort geared towards improving firm performance that will enhance stock prices movements.

Keywords : firm, Nigeria, performance, stock price

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