CURRENT MARKET PRICE OF SHARE CAPITAL AND PROFITABILITY OF SELECTED FIRMS ON NIGERIAN STOCK EXCHANGE

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ABSTRACT

This research investigates the relationship of profitability of selected firms (proxied by Return on Asset, Return on Equity and Return on Investment Ratios) to Current Market Share Price. Secondary used were obtained from annual reports of 18 selected quoted firms in Agriculture and Agro-Allied sector on Nigeria Stock Exchange from 2012 to 2016. Mixed results of extant studies in this area of study before International Financial Reporting Standards necessitate conduct of this study to find out what the result would be after International Financial Reporting Standards. The annual reports were obtained from the selected firm’s website and their registrar of companies as well as Nigeria Stock Exchange website. Multiple regression analysis and descriptive statistics was used study the relationship between independent (i.e. profitability ratios proxied by Return on Asset, Return on Equity and Return on Investment Ratios) and dependent variables (proxied by shares price). The study found there is positive and significant between Current Market Share Price and profitability together and also found there is positive and significant between Current Market Price of Share Capital and profitability separately.

Keywords: Profitability, Returns, Asset, Equity, Investment, Share Price.

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1. INTRODUCTION

1.1. Background to the Study

Businesses are established to generate profits for its sustenance and for the benefit of all stakeholders. Profitability ratio serves one of the key performance index used to establish whether a business is still a going concern or it may likely run down in a shortest possible time. It is for this reason that stakeholders such as investors, loan lenders and creditors often take into consideration how well a business is performing in terms of profitability before taking any economic decision that will make to relate with the business in terms of money. Shareholders and government are also interested in how profitable a firm is doing. Otekunrin, Nwanji, Egbide, Fakile, Ajayi, Falaye and Eluyela (2018:2) opined that “over many decades the potency of ratio analysis in the practical financial and planning analysis has been sustained by its standard and indispensable supremacy it terms of evaluation and interpretation of financial statements.” The importance of ratio analysis and particularly profitability ratios cannot be over emphasized as its signal the stakeholders whether to continue to do business or relate with a particular firm in their different ways. Hence this study examined whether Current Market Share Price of a firm and its profitability ratios related using selected quoted Agriculture and Agro-allied firms on Nigeria Stock Exchange. The choice of Agriculture and Agro-allied firms was informed by the interest of Nigerian government in the sector as a good source of generating income to run the government. It is believed that the outcome of this study will further inform investors whether to invest their money in buying into the equity holdings of Agriculture and Agro-allied firms on the Nigerian Stock Exchange.

This study is also under taken to examine the relationship between Current Market Share Price (hereafter refers as CMSP) and profitability after the adoption of international financial reporting standards. This is because extant studies in this area of study before IFRS show mixed results (AL Kurdi, 2005; Abu Hasheesh, 2003; AL Khalayleh, 2001) and since the adoption IFRS, relationship between CMSP and profitability is not well known. Since IFRS was introduced in year 2012, the time interval chosen for this study is 2012 to 2016. The three-profitability index chosen for this research include Return on Asset (hereafter referred as ROA), Return on Equity (hereafter referred as ROE) and Return on Investment Ratios (hereafter referred as ROI). This study examined the association between profitability ratios (proxied by ROA, ROE, as well as ROI) and SP together and separately.

1.2. Research Questions

The main research question provided answer to by this study is as given: What relationship exists between CMSP of firms on Nigeria Stock Exchange and ROA, ROE, as well as ROI? While the specific research questions are as given below:

1. What is the relationship between CMSP of firms on Nigeria Stock Exchange and ROA, ROE as well as ROI together?
2. What relationship exist between CMSP of firms on Nigeria Stock Exchange and ROA separately?
3. What relationship exist between CMSP of firms on Nigeria Stock Exchange and ROE separately?
4. What relationship exist between CMSP of firms on Nigeria Stock Exchange and ROI separately?

1.3. Research Objectives
The main research objective to examine the relationship exists between CMSP of firms on Nigeria Stock Exchange and ROA, ROE, as well as ROI after adoption of IFRS. The specific research objectives are as given below:

1. Examination of the relationship between CMSP of firms on Nigeria Stock Exchange and ROA, ROE as well as ROI together.
2. Examination of the relationship between CMSP of firms on Nigeria Stock Exchange and ROA separately.

1.4. Research Hypotheses
constructive answers were provided to the research questions stated above in order to achieve the research objectives by testing the following research hypotheses stated in the null form:

1.4.1. Hypothesis 1:
H\(_0\): There is no significant relationship between ROA, ROE, ROI and CMSP together.

1.4.2. Hypothesis 2:
H\(_0\): There is no significant relationship between CMSP and ROA separately.

1.4.3. Hypothesis 3:
H\(_0\): There is no significant relationship between CMSP and ROE separately.

1.4.4. Hypothesis 4:
H\(_0\): There is no significant relationship between CMSP and ROI separately.

2. LITERATURE REVIEW
2.1. The concept Profitability
Firms are usually categorized as profit making organisations and non-profit making organisations. Non-profit making organisation are formed for purpose of meeting some objectives which differs from making profit and such objectives include charity, religion and social activities just to mention a few. On the other hand, making profit is the core objective of profit making organisations and this is the only reason such firms would be liquidated if they are not making sufficient profit to sustain the business. The profitability ratios largely used by researchers in area of research include ROA, ROE and ROI (Agha, 2014; Osman & Iddrisu, 2015; Otekunrin, Nwanji, Egbide, Fakile, Lawal, Ajayi, Falaye & Eluyela 2018). This study also adopted ROA, ROE and ROI as proxies for profitability ratios in line with the previous studies to examine the relationship between CMSP and profitability (proxied by ROA, ROE and ROI) of selected Agriculture and Agro-Allied firms on Nigerian Stock Exchange in the IFRS era, which is from 2012 to 2016 because annual reports form secondary data are extracted
Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange

for the purpose of this study. Year 2017 is excluded from this study because financial statements for 2017 of most companies are not yet out as at the time this study is being conducted. The determination of ROA, ROE and ROI are now explained below:

2.2. Return on Asset (ROA)

ROA is a measure of how firms are able to generate profits (i.e. earned returns) from the total assets of the firms. It is measure as profit before interest and tax derived by the firm divided by total assets of the firm. This calculation is also adopted in this study in line with previous studies (Uwuigbe, Uwuigbe, Olugbenga, Ebeguki, & Adegbola, 2017; Otekunrin, Nwanji, Agba, Olowookere, Fakile, Lawal, Ajayi, & Falaye, 2018). ROA is usually of particular interest to existing investors and potential investors, the management of the firm and stakeholders such as government for purpose of tax collections, financial analyst and researchers in this area of study just to mention a few. Hence,

\[
\text{ROA} = \frac{\text{Profit before Interest and Tax}}{\text{Total Assets}}
\]

2.3. Return on Equity (ROE)

ROE is also of particular interest to existing investors and potential investors, the management of the firm and stakeholders such as government for purpose of tax collections, financial analyst and researchers in this area of study just to mention a few. It is a measure of returns on shareholder’s equity divided shareholder’s equity. Otekunrin, Nwanji, Egibide, Fakile, Lawal, Ajayi, Falaye & Eluyela (2018:4) opined that “common or ordinary shareholders of a company are entitled to the residue profits. The dividend these shareholders receive from the profit is not fixed; the earnings may be distributed to shareholders as dividends or retained in the business as retained earnings. Nevertheless, net profit after tax represents their return. A return on shareholder’s equity is computed to see the profitability of owner’s investment. The shareholders’ equity or net worth will include paid up share capital, share premium and reserves and surplus less accumulated losses. Net worth can also be calculated by subtracting total liabilities from the total assets.” In line with previous studies, (Choudhry, 2012; Osman & Iddrisu, 2015). The ROE was adopted and calculated in this study as:

\[
\text{ROE} = \frac{\text{Profit after Interest and Tax and Preference Dividends}}{\text{Net Worth (equity)}}
\]

2.4. Return on investment (ROI):

This study adopted investment as total assets of a firm minus current liabilities of the firm. In other words, it the total fund attributable to provider of long-term fund of the firm (i.e. funds supplied by shareholders and long-term lenders of the firm). In calculating return on investment, Profit before Interest and Tax and Dividend is divided by investment (Otekunrin, Nwanji, Egibide, Fakile, Ajayi, Falaye & Eluyela, 2018). This formula is adopted in this study and is as given below:

\[
\text{ROI} = \frac{\text{Profit before Interest and Tax and Dividend}}{\text{Total Assets – Current Liabilities (i.e. fund provided by long-term investors)}}
\]
2.2. The Concept Share Price
The share price usually used in assessing the performance firms are of two major category and these include the current market share price of share (proxied by CMSP) and net book value share price. Net book value share price is calculated by dividing net book value of share capital as obtained in the statement of financial position by numbers of shares issued and ranking for dividend. However net book value share price is not adopted in this study. The share price adopted in this study is current market share price (proxied by CMSP). It is the amount a unit of a firm share can be purchased in the open market. When differentiating between a “good firm” and “good investment”, Osman and Iddrisu (2015:34) opined that “a good firm may be highly profitable, with a correspondingly high ROE. But if its stock price is bid up to a level commensurate with this ROE, its P/B ratio will also be high, and the stock price may be a relatively large multiple of earnings, thus reducing its attractiveness as an investment. The high ROE of the firm does not by itself imply that the stock is a good investment. Conversely, troubled firms with low ROEs can be good investments if their prices are low enough.” Osman and Iddrisu (2015:34) opined that “a strong driver of share price is a company’s earnings. As earnings rise and are retained by the company, the value of the shares to the shareholder rises and so does the price of the shares as investors, keen to gain access to the higher earnings, become increasingly willing to pay the higher prices.” Other studies that aligned with the view of Osman and Iddrisu (2015) include Otekunrin, Nwanji, Ajayi, Awonusi & Eluyela (2018).

2.3. Theoretical Framework
In line with previous studies (Myers & Majluf, 1984; Margaritis & Psillaki, 2007; Otekunrin, Iyoha, Uwuigbe & Uwuigbe, 2017; Otekunrin, Nwanji, Ajayi, Awonusi & Eluyela, 2018), pecking order theory was adopted in this study. Otekunrin, Nwanji, Egibe, Fakile, Ajayi, Falaye and Eluyela (2018:5) stated that pecking order theory “is of the view that in terms of raising additional finance to finance firm’ assets, funding by the use of retained earnings is most preferred while financing through raising the debt level is next and the last option is issuing of additional equity (Myers & Majluf, 1984; Margaritis & Psillaki, 2007; Otekunrin, Nwanji, Ajayi, Awonusi & Eluyela, 2018).” In other words, the more profitable a firm is, the more the firm would be able to retain such profit for future investment in the business to generate more income if large portion of such profit are retained in the business. Hence the demand for shares of such firms in the open market would be relatively high, thereby prompting the seller of such shares to increase the CMSP for purpose selling it. This theory is in line with the apriori expectation of this study that the higher the level of the profitability ratios, the higher level of CMSP. Otekunrin, Nwanji, Ajayi, Awonusi and Eluyela (2018:6) assert that, “to minimize the cost of capital and maximize the value of firms, managers are responsible for taking appropriate finance decision that would give appropriate mix of debt and equity that a firm uses to finance its business (Damodaran, 2001). Hence as increase in the level of the profitability lead increase in level of quoted firms shares price, the objective the firms to minimize the cost of capital and maximize the value of firms is being achieved.”

2.4. Empirical Evidences
Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange

Exchange in 2009. However, Snežana and Ivan (2017) used 42 firms listed on Belgrade Stock Exchange concluded that profitability and share price are statistically and significantly related. In line with the empirical evidences discussed above this study examined relationship between profitability ratios (ROA, ROE and ROI ratios together as well as separately) and SP of selected quoted firms on Nigeria Stock Exchange from 2012 to 2016.

3. METHODOLOGY

Descriptive research design was adopted for this study. This study used ordinary least square regression analysis to examine the relationship that exist between CMSP and profitability (proxied by ROA, ROE and ROI) of selected quoted firms on Nigerian Stock Exchange in the Agriculture and Agro-Allied sector after adoption of IFRS from 2012 to 2016. Secondary data used was obtained from the financial statements of the selected firm. Agriculture and Agro-Allied sector were preferred for this research due to the choice of Nigeria government to make agriculture an alternative source of generating income both internally and externally for the sustenance of Nigeria economy. Year 2017 is excluded from this study because financial statements for 2017 of most companies are not yet out as at the time this study is being conducted.

3.1. Population of the Study, Sample Size and Sampling Technique

The population of this study consists of twenty-two (23) firms involved in agricultural and agro-allied business and they are quoted on the Nigerian Stock Exchange. In line with the modern online sample size calculator by Raosoft, Inc which required that at least 50% of the quoted firms in each stratum (i.e. agricultural business firms and the agro-allied business firms) of the population of the study must be selected, this adopted stratified random sampling to select more than 50% of firms involved in each stratum.

<table>
<thead>
<tr>
<th></th>
<th>Quoted agricultural firms</th>
<th>Quoted agro-allied firms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Sample</td>
<td>4</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: computed by researcher based on the criteria given above

Based on the table given above, the sample size is 19 (i.e. 4 + 15). These are the number of firms that meet above criteria.

3.2. Model Specification

Four empirical models were adopted in line with Osman and Iddrisu (2015) in this study. The regression analysis was used in analyzing the nature of the relationship between the independent variables on the dependent variable. The dependent variable and independent variables are as given below:
Table 2 Dependent and the Independent variables

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Profitability Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ROA ratio</td>
</tr>
<tr>
<td></td>
<td>Profit before Interest and Tax</td>
</tr>
<tr>
<td></td>
<td>Total Assets</td>
</tr>
<tr>
<td>2</td>
<td>ROE ratio</td>
</tr>
<tr>
<td></td>
<td>Profit after Interest and Tax and Preference Dividends</td>
</tr>
<tr>
<td></td>
<td>Net Worth (equity)</td>
</tr>
<tr>
<td>3</td>
<td>ROI ratio</td>
</tr>
<tr>
<td></td>
<td>Profit before Interest and Tax and Dividend</td>
</tr>
<tr>
<td></td>
<td>Total Assets – Current Liabilities</td>
</tr>
</tbody>
</table>

Dependent variables

CMSP = α₀ + α₁ROA<sub>it</sub> + α₂ROE<sub>it</sub> + α₃ROI<sub>it</sub> + e<sub>it</sub> (1)

Where:
- CMSP is the dependent variable, measured by log of share price,
- α₀, α₁, α₂, and α₃ are regression coefficients with unknown values.
- ROA = Return on assets ratio
- ROE = Return on equity ratio
- ROI = Return on investments ratio
- e<sub>it</sub> = Residual.

Expected Apriori:
- α₁, α₂, and α₃ > 0

Hence:
- α₁ > 0; means that the higher the level of Return on Asset, the higher level of current market share price,
- α₂ > 0; means that the higher the level of Return on Equity, the higher level of current market share price,

Source: Author’s

*The SP was logged to limit the effect of outlier in the dependent variable.

3.3. The study models

3.3.1. Model 1: Profitability Ratios (i.e. ROA, ROE AND ROI together) and current market share price

CMSP = α₀ + α₁ROA<sub>it</sub> + α₂ROE<sub>it</sub> + α₃ROI<sub>it</sub> + e<sub>it</sub> (1)

Where:
- CMSP is the dependent variable, measured by log of share price,
- α₀, α₁, α₂, and α₃ are regression coefficients with unknown values.
- ROA = Return on assets ratio
- ROE = Return on equity ratio
- ROI = Return on investments ratio
- e<sub>it</sub> = Residual.

Expected Apriori:
- α₁, α₂, and α₃ > 0

Hence:
- α₁ > 0; means that the higher the level of Return on Asset, the higher level of current market share price,
- α₂ > 0; means that the higher the level of Return on Equity, the higher level of current market share price,
Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange

\[ \alpha_3 > 0; \text{ means that the higher the level of Return on Investment, the higher level of current market share price,} \]

### 3.3.2. Model 2: ROA and current market share price separately

\[ \text{SP} = \alpha_0 + \alpha_1 \text{ROA}_{it} + e_{it} \]  

(2)

Where:
- CMSP is the dependent variable, measured by log of current market share price,
- \( \alpha_0 \) and \( \alpha_1 \) are regression coefficients with unknown values.
- ROA = Return on assets ratio
- \( e_{it} \) = Residual.
- Expected Apriori: \( \alpha_1 > 0 \)
- Hence: \( \alpha_1 > 0; \text{ means that the higher the level of Return on Asset, the higher level of current market share price,} \)

### 3.3.3. Model 3: ROE and current market share price separately

\[ \text{CMSP} = \alpha_0 + \alpha_1 \text{ROE}_{it} + e_{it} \]  

(3)

Where:
- CMSP is the dependent variable, measured by log of current market share price,
- \( \alpha_0 \) and \( \alpha_1 \) are regression coefficients with unknown values.
- ROE = Return on equity ratio
- \( e_{it} \) = Residual.
- Expected Apriori: \( \alpha_1 > 0 \)
- Hence: \( \alpha_1 > 0; \text{ means that the higher the level of Return on Equity, the higher level of current market share price} \)

### 3.3.4. Model 4: ROI and current market share price separately

\[ \text{CMSP} = \alpha_0 + \alpha_1 \text{ROI}_{it} + e_{it} \]  

(4)

Where:
- CMSP is the dependent variable, measured by log of current market share price,
- \( \alpha_0 \) and \( \alpha_1 \) are regression coefficients with unknown values.
- ROI = Return on investments ratio
- \( e_{it} \) = Residual.
- Expected Apriori: \( \alpha_1 > 0 \)
- Hence: \( \alpha_1 > 0; \text{ means that the higher the level of Return on Investment, the higher level of current market share price} \)
4. ANALYSIS AND DISCUSSION

4.1. Regression Analysis

This regression analysis was used to examine the relationship between profitability ratios of firms (i.e. ROA, ROE and ROI together as well separately) with current market share price from 2012 to 2016.

Model 1: Profitability Ratios (i.e. ROA, ROE and ROI together) and Current market Share Price

Table 3 Regression Results of the Variables (2012-2016)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.942493</td>
<td>0.106547</td>
<td>8.845767</td>
<td>0.0000</td>
</tr>
<tr>
<td>ROI</td>
<td>1.515570</td>
<td>0.706226</td>
<td>2.146012</td>
<td>0.0345</td>
</tr>
<tr>
<td>ROE</td>
<td>0.776864</td>
<td>0.256404</td>
<td>3.029845</td>
<td>0.0032</td>
</tr>
<tr>
<td>ROA</td>
<td>4.012723</td>
<td>1.106481</td>
<td>3.626563</td>
<td>0.0005</td>
</tr>
</tbody>
</table>

R-squared 0.753829
Adjusted R-squared 0.729230
S.E. of regression 0.714738
Sum squared resid 46.48739
Log likelihood -100.8511
Prob(F-statistic) 0.000007

Source: Author's computation using E-Views 9.0.

Predictors: ROA, ROE, ROI, CONSTANT,

Dependent Variable: PS

Table (3) above indicate that the regression coefficient of the return on assets ratio (ROA), is positive (4.012723) with positive t-statistic (3.626563) and a p-value of 0.0005 significant 1%. Based on this result and in line with apriori expectation, return on assets ratio (ROA) is positively and significantly related to the level of share price (SP). The regression coefficient of the return on equity ratio (ROE) is positive (0.776864) with positive t-statistic (3.029845) and a p-value of 0.0032 significant 1%. Based on this result and in line with apriori expectation, return on equity ratio (ROE) is positively and significantly related to the level of current market share price (SP).
share price (CMSP). Also, the regression coefficient of the return on investment ratio (ROI) is positive (1.515570) with positive t-statistic (2.146012) and a p-value of 0.0345 significant 5%. Based on this result and in line with *apriori* expectation, return on equity ratio (ROI) is positively and significantly related to the level of current market share price (CMSP). Since Adjusted R-Square value of 73% which is relatively high, for that reason the null Hypothesis 1 hereby rejected and the alternative hypothesis which states that there is a significant relationship between ROA, ROE, ROI and CMSP together.

**Model 2: ROA Ratio and Current Market Share Price**

**Table 4 Regression Results of the Variables (2012-2016)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>0.866380</td>
<td>0.106426</td>
<td>8.140645</td>
<td>0.0000</td>
</tr>
<tr>
<td>ROA</td>
<td>2.870665</td>
<td>0.640274</td>
<td>4.483492</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

R-squared 0.777731  Mean dependent var 1.199737

Adjusted R-squared 0.768890  S.D. dependent var 0.814113

S.E. of regression 0.742188  Akaike info criterion 2.262399

Sum squared resid 51.22837  Schwarz criterion 2.316165

Log likelihood -105.4639  Hannan-Quinn criter. 2.284124

F-statistic 20.10170  Durbin-Watson stat 0.110769

Prob(F-statistic) 0.000021

Source: Author's computation using E-Views 9.0.

Predictors: ROA, CONSTANT,

Dependent Variable: CMSP

Table (4) above indicate that the regression coefficient of the return on assets ratio (ROA), is positive (2.870665) with positive t-statistic (4.483492) and a p-value of 0.0000 significant 1%. Based on this result and in line with *apriori* expectation, return on assets ratio (ROA) is positively and significantly related to the level of current market share price (CMSP) separately. Since Adjusted R-Square value of 77% which is relatively high, thus the null Hypothesis 2 is hereby rejected and the alternative hypothesis which states that there is a significant relationship between CMSP and ROA separately is accepted.
Model 3: ROE Ratio and Share Price

Table 5 Regression Results of the Variables (2012-2016)

\[
CMSP = \alpha_0 + \alpha_1 \text{ROE}_t + \epsilon_t
\]

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>1.089475</td>
<td>0.083147</td>
<td>13.10295</td>
<td>0.0000</td>
</tr>
<tr>
<td>ROE</td>
<td>0.721751</td>
<td>0.188091</td>
<td>3.837236</td>
<td>0.0002</td>
</tr>
</tbody>
</table>

R-squared 0.736686, Mean dependent var 1.199737
Adjusted R-squared 0.727403, S.D. dependent var 0.814113
S.E. of regression 0.760486, Akaike info criterion 2.311110
Sum squared resid 53.78556, Schwarz criterion 2.364876
Log likelihood -107.7777, Hannan-Quinn criter. 2.332836
F-statistic 14.72438, Durbin-Watson stat 0.276960
Prob(F-statistic) 0.000227

Source: Author's computation using E-Views 9.0.

Predictors: ROE, CONSTANT,
Dependent Variable: MPS

Table (5) above indicate that the regression coefficient of the return on assets ratio (ROE), is positive (0.721751) with positive t-statistic (3.837236) and a p-value of 0.0002 significant 1%. Based on this result and in line with **apriori** expectation, return on assets ratio (ROE) is positively and significantly related to the level of current market share price (CMSP) separately. Since Adjusted R-Square value of 72.7% which is relatively high, for that reason the null Hypothesis 3 is hereby rejected and the alternative hypothesis which states that there is a significant relationship between CMSP and ROE separately.
Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange

Model 4: ROI Ratio and Current Market Share Price

Table 6 Regression Results of the Variables (2012-2016)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>0.951481</td>
<td>0.108617</td>
<td>8.759932</td>
<td>0.0000</td>
</tr>
<tr>
<td>ROI</td>
<td>1.149148</td>
<td>0.343408</td>
<td>3.346302</td>
<td>0.0012</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.797466</td>
<td>Mean dependent var</td>
<td>1.199737</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.787869</td>
<td>S.D. dependent var</td>
<td>0.814113</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.773249</td>
<td>Akaike info criterion</td>
<td>2.344396</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>55.60596</td>
<td>Schwarz criterion</td>
<td>2.398162</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-109.3588</td>
<td>Hannan-Quinn crit.</td>
<td>2.366121</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>11.19774</td>
<td>Durbin-Watson stat</td>
<td>0.137553</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.001183</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's computation using E-Views 9.0.

Predictors: ROI, CONSTANT,

Dependent Variable: CMSP

Table (6) above indicate that the regression coefficient of the return on investment ratio (ROI), is positive (1.149148) with positive t-statistic (3.346302) and a p-value of 0.0012 significant 1%. Based on this result and in line with apriori expectation, return on investment ratio (ROI) is positively and significantly related to the level of current market share price (CMSP) separately. Since Adjusted R-Square value of 78.7% which is relatively high, for that reason the null Hypothesis 4 is hereby rejected and the alternative hypothesis which states that there is a significant relationship between CMSP and ROI separately is accepted.

5. CONCLUSION

The result shows that Return on Asset, Return on Equity and Return on Investment together are positively and significantly related to current market share price together. This result in line with the extant findings as in the empirical literature reviewed. The theoretical framework and the positive signs derived for the independent variables’ coefficients also aligned. Also, it was found that the Return on Asset ratio and current market share price positively related separately. The Return on Equity ratio and current market share price is also positively related separately. Finally, the Return on Equity and current market share price is also positively related separately. It implied that there will be increase in profitability of Agriculture and Agro-Allied Quoted firms if their management deploy and utilize the assets of the firms efficiently and consequently the increase in their profitability will lead to increase in share price. This will
lead to shareholder’ wealth maximization and this result of the study conforms to pecking order theory as adopted.

REFERENCES


Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange


