

**EXAMINING THE ROLE OF EARNINGS PER SHARE, BOOK VALUE OF EQUITY
AND ABNORMAL EARNINGS ON INVESTMENT DECISIONS**

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Abstract

The examined the role of book value of equity, abnormal earnings and earnings per share on investment decision of listed deposit money banks in Nigeria was evaluated. The study extracted secondary data from the annual financial statement from period 2015 to 2024. The data of the study was analysed using regression analysis. The study explanatory variables are earnings per Share, book value per share and abnormal earnings, the study considered firm size and firm financial leverage as the control variables. The empirical results revealed that book value per share has a strong, positive and significant effect on firm value, indicating that investors place substantial emphasis on the net asset position of banks when making investment decisions. The findings of the study indicate both earnings per Share and abnormal earnings indicate a positive insignificant relationship. The study concludes that financial statements are decision-useful for investment appraisal in Nigeria, but investors rely more heavily on balance sheet indicators particularly book value than on earnings measures. The study suggests that investors place greater emphasis on book value per share when assessing bank stocks, encourages bank

managers to improve transparency regarding equity positions, and urges regulators to reinforce disclosure standards to enhance the reliability and relevance of financial reporting.

Keywords: Earnings per Share, Book Value per Share, Abnormal Earnings and Book Value

1.0 Introduction

Financial statement plays important role in modern financial reporting systems by providing relevant and reliable information about a firm's financial position, performance and stability. These reports provide insightful information for stakeholders such as investors, creditors, regulators, and financial analysts who rely on them to evaluate corporate performance and make informed economic decisions (Agarwala, 2023). Investment decision making is central to financial markets and corporate governance, as it determines how resources are allocated to generate returns and support economic growth. In theory, investors make decisions based on comprehensive information about companies' financial health, market conditions, and prospects (Hosseini et al., 2025). Financial statements comprising the balance sheet, income statement, cash flow statement, statement of changes in equity, and accompanying notes are intended to provide this information in a structured and transparent manner (Czajor 2024).

Firms' financial statement enables stakeholders to make informed investment decisions. Accurate and timely financial reporting not only reflects operational efficiency and risk management practices but also enhances investor confidence, supports regulatory compliance, and guides strategic planning and decision making (Marota 2024). However, investment decisions are often made under conditions of uncertainty, market inefficiencies, and limited access to reliable data (Singh et al., 2022). Consequently, investment decisions may rely on speculation, brand perception, or incomplete information rather than on sound financial analysis. The usefulness of these reports lies in their ability to reduce information asymmetry between managers and external stakeholders, thereby enabling users to assess the financial statement and prospects of a company (Vaidya, 2021).

Reliable and transparent financial statements are important in the banking sector because banks operate within a highly regulated and risk-sensitive environment. Investors and other stakeholders closely examine financial information disclosed by banks to assess their financial stability, performance trends, and risk exposure before committing financial resources (Maridu, 2023). Despite the significant of financial statement for risk assessment and decision making, the issues such as non-compliance with accounting standards, lack of transparency, and weak corporate governance can undermine the reliability of reported information (Kadhim 2024). These factors can result in poor investment outcomes, underperformance of investor portfolios, and avoidable financial losses. Given these challenges, it becomes essential to examine the usefulness of financial statements in guiding investment decisions and assessing corporate performance in the Nigerian context.

Market inefficiencies, and limited access to reliable financial information, investment decisions are often made under the uncertain condition (Frijins et al 2023). However, financial statements are intended to provide a comprehensive overview of a company's financial and non-financial position. Many potential investors, especially in the informal and retail segments of the Nigerian economy are having absolute assurance on their investment return, as a result,

investment decisions are sometimes based on speculation or brand perception rather than on informed financial analysis. Another problem is whether the financial statements represent a true and fair view of the performance of the company, given concerns about compliance with accounting standards, transparency, and corporate governance. These problems have led to poor investment outcomes, underperformance of investor portfolios, and in some cases, avoidable financial losses. These challenges affect the need to examine how useful financial statements are in guiding investment decisions and assessing company performance in the Nigerian context.

Despite the importance of financial statements in guiding investment decisions, empirical evidence on their practical effectiveness in the Nigerian banking sector remains limited compared to developed economy. Several Nigeria focused on the deposit money banks in Nigeria. Economic factors such as economic volatility, regulatory changes and banking sector reforms may influence the reliability and relevance of reported information. The study aimed to evaluate the nexus between book value, abnormal earnings and earnings per share on firm value among deposit money banks in Nigeria. The objectives of the study examine the relationship between book value of equity, abnormal earnings and earnings per share on firm value.

2.0 Literature Review and Conceptual Framework

The review is organized to examine key concepts, theories, and empirical evidence on the usefulness of financial statements in assessing firm performance and guiding investment decisions in Nigeria.

Investment Decision

The usefulness of financial statements is reflected in their ability to inform investment decisions. Investors use reported data to evaluate past performance, predict future outcomes, and assess the risk return profile of potential investments (Olayinka 2022). This aligns with decision usefulness theory, which states that information is valuable when it is both relevant predictive and faithfully represented. In practice, investors analyse ratios such as profitability, liquidity, leverage, and market indicators derived from financial statements (Penman, 2013).

Financial Statements

Financial statements are structured reports that communicate a company's financial performance and position to stakeholders. They provide vital information for investors, analysts, and regulators, enabling informed decision-making (Penman, 2013). The key components include the statement of financial position (balance sheet), income statement (profit or loss account), statement of cash flows, statement of changes in equity, and notes to the accounts (Czajor 2024). The component serves a specific role, the income statement shows revenues, expenses, and net profit over a period, the balance sheet presents assets, liabilities, and shareholders' equity, the cash flow statement highlights liquidity and the statement of changes in equity tracks retained earnings, dividends, and reserves. The accounts provide disclosures that enhance transparency (Alexander & Britton, 2017). In Nigeria, where alternative corporate information is limited, financial statements are particularly important for investors seeking to evaluate company performance and make sound investment decisions

(Okafor, 2012). Reliable reporting enables investors to assess profitability, solvency, and liquidity, forming the basis for rational market behaviour.

Book Value of Equity

Book Value per Share represents the net equity attributable to each ordinary share, calculated by dividing total equity by the number of outstanding shares. Book value of equity (sometimes summarized as book value per share, BVPS) is central in equity valuation research. It represents shareholders' net claim on the firm's assets (assets less liabilities), and when scaled by shares, gives a share measure of this claim (Ugbe and Babet 2019). In volatile markets such as Nigeria, BVPS often provides a more reliable measure of firm worth than earnings alone (Ezeagba, 2014).

Firm Value

Firm value reflects the overall market perception of a company's worth and is commonly measured by market capitalization or equity market value, which is the stock price multiplied by the number of outstanding shares (Lestari et al., 2025). Firm value also serves as an indicator of shareholder wealth and market confidence, where higher firm value typically signals better investor trust and potential for dividend distribution (Okaterina 2018). Financial statement information, particularly earnings and book value, play a central role in determining firm value. Transparent reporting enhances investor confidence and improves valuation outcomes (Uwuigbe et al., 2012).

Abnormal Earnings

Abnormal earnings represent the portion of net income that exceeds the expected return on equity based on the firm's book value. Abnormal earnings refer to the portion of a firm's earnings that exceed the expected or normal level based on its cost of capital and book value, often used to assess firm performance beyond standard accounting measures. Research shows that abnormal retained earnings vary globally and are influenced by firms' growth opportunities and macroeconomic conditions, with trends differing notably after events like the 2008 financial crisis (Paulo 2018). Abnormal earnings explain differences in market valuation among firms with similar book values. In Nigeria, analysing abnormal earnings provides insight into value creation beyond residual equity (Adeemelum et al., 2019)

Earnings per Share

EPS measures profit attributable to each ordinary share and is one of the most recognized indicators of profitability (Penman, 2013). EPS provides investors with a forward-looking perspective on dividends and future cash flows. In Nigeria, EPS is frequently a key driver of stock price movements, particularly when financial statements are timely and credible (Ezeagba, 2014).

Empirical Review

Below are empirical studies carried out in Nigeria that address whether financial statements through measures such as EPS, BVPS, DPS, operating cash flows and abnormal earnings help assess firm performance and guide investors' decisions. Okeke (2025) examined how financial statement analysis influences shareholders' investment decisions in Nigerian deposit money banks. The research focused on firm profitability and liquidity as the main independent

variables and employed multiple regression analysis to test the hypotheses. Results indicated that banks with higher profitability, measured by return on equity, significantly impact shareholders' investment choices. Similarly, liquidity analysis was found to significantly affect investment decisions among listed banks. The strong effect of profitability reflects investors' preference for banks with stable and sustainable earnings, as consistent profitability signals sound management and market strength. Banks demonstrating reliable financial performance are more likely to attract investors seeking long-term capital gains, thereby influencing equity holdings. Overall, analyses of both profitability and liquidity are critical in shaping shareholders' investment behavior in Nigerian deposit money banks.

Obizue and Eme (2025) examined the effect of asset investment on the financial performance of Nigerian deposit money banks (DMBs) from 2012 to 2022. Using time-series data from annual reports, return on assets (ROA) measured financial performance, while cash and cash equivalents, tangible assets, and intangible assets represented asset investments. Linear regression analysis showed a positive and significant relationship between asset investments and ROA, indicating that effective investment decisions enhance banks' financial health. The study concluded that well-managed asset allocation is a strong predictor of profitability and financial stability, recommending that banks optimize their investment mix and comply with Central Bank of Nigeria guidelines to ensure prudence, efficiency, and sustained financial performance. Ochie (2024) investigated industrial goods firms from 2013 to 2023 the outcome of the study reported that measured profitability and liquidity sometimes did not significantly predict investment decisions, this suggests investors sometimes rely on non-accounting information or that market inefficiencies and behavioural factors may weaken the accounting market link.

Abdu et al. (2022) compared value relevance for firms audited by Big Four and non-Big Four auditors from 2014 to 2019. The study found EPS and BVPS to be value relevant for both groups, with audit quality influencing the strength of the association suggesting audit credibility affects how investors use financial statements. Vaidya (2021) examined the role of accounting information in share investment decision-making using survey data collected from investors at brokers' offices during NEPSE trading hours. The findings revealed that investors use accounting information to improve their investment knowledge, assess company performance trends, and make informed share investment decisions. The study further showed that investors attach high importance to items such as share capital, net profit after tax, and cash flow from investing activities, as well as financial indicators such as earnings per share and dividend per share. The study concluded that listed companies should regularly disclose important financial indicators because such disclosure improves corporate credibility and supports investors' decision-making. Moreover, Uwuigbe, et al., (2016) studied value relevance of accounting information in the Nigerian banking sector. Using panel data for listed banks, the authors found EPS, BVPS and DPS significantly affect share prices reinforcing the view that investors use earnings, book value and distributions to assess performance and guide investment choices. Jeroh (2016) studied Value Relevance of Financial Accounting Information and equity valuation of quoted Firms in Nigeria using a large sample of quoted firms and tests across pre and post crisis periods and found that accounting numbers (earnings

and book value) remain significantly associated with market value. The study also notes sectoral differences and effects from IFRS implementation.

Siyanbola, Adedeji and Adedeji (2015) examined the price models and the value relevance of accounting information of listed deposit money banks in Nigeria. Using a sample of listed banks from 2005 to 2012 they estimated price models and reported EPS and DPS (dividend per share) as particularly value relevant for banking sector investors indicating investors in regulated, payout-oriented firms use dividends and earnings signals when making decisions.

Theoretical Framework

This study is guided by theories that explain the role of financial reporting in investment decisions. The decision usefulness theory emphasizes the value of accounting information for decision making, the Agency Theory highlights the need for transparency to reduce conflicts between managers and shareholders.

Decision Usefulness Theory

Decision Usefulness Theory (DUT) is the dominant framework that guides modern financial reporting. It emerged in the 1960s as accounting scholars and regulators shifted from the stewardship view of accounting to a forward-looking approach that prioritizes the needs of investors and creditors (Scott, 2015). The theory emphasizes that the primary purpose of financial reporting is to provide information that is useful for decision making, particularly for resource allocation, investment, and lending. Two key qualities make financial information decision useful: relevance and faithful representation. Relevance means information should have predictive or confirmatory value, while faithful representation means it should be complete, neutral, and free from material error (Azar 2019). In Nigeria, where investor confidence is often undermined by lack of adequate and reliable information, these qualities are particularly important. The usefulness of accounting information is commonly tested through value relevance studies, which investigate the association between accounting numbers example, (EPS, BVPS, DPS, abnormal earnings) and market prices (Barth et al., 2001). If such numbers significantly explain market outcomes, it indicates that investors consider them decision useful. This theory is central to this research because it explains why Nigerian investors depend heavily on financial statements in the absence of alternative reliable data. By examining whether EPS, BVPS, and abnormal earnings significantly influence investment decisions, this study evaluates the extent to which Nigerian financial reporting is truly decision useful.

Agency Theory,

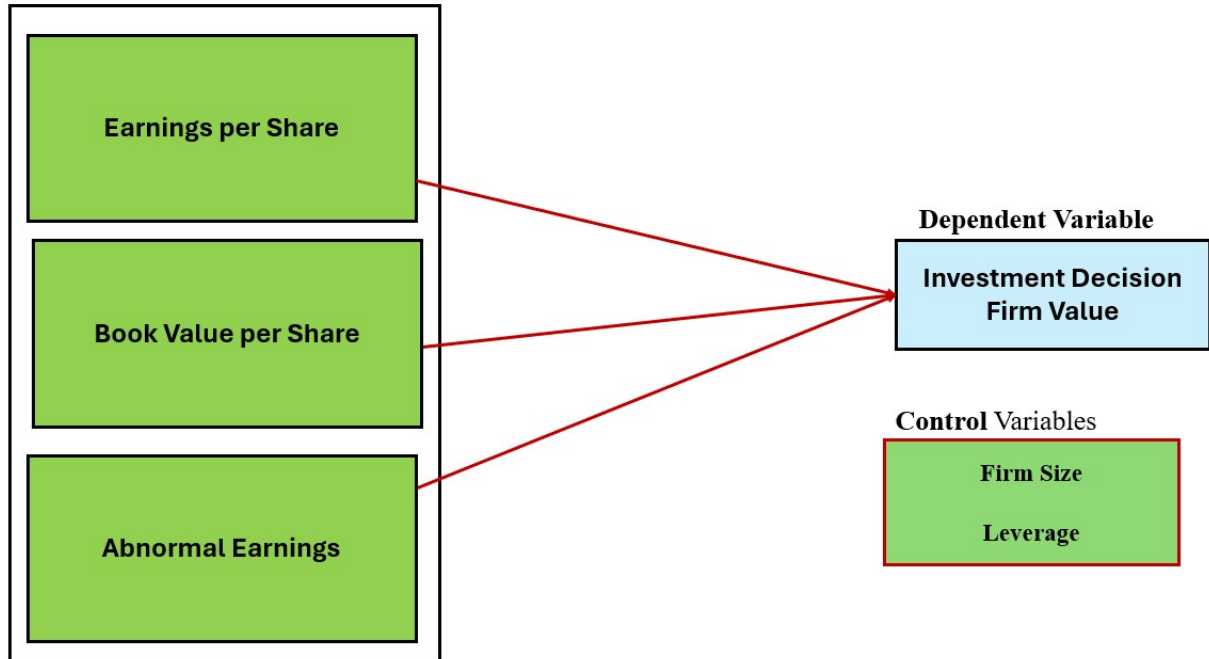
Agency Theory, proposed by Jensen and Meckling (1976), explains the relationship between shareholders (principals) and managers (agents). Conflicts arise when managers pursue their own interests rather than maximizing shareholder value, creating information asymmetry between the two parties. Financial reporting helps reduce this asymmetry by providing transparent information about firm performance. In Nigeria, where corporate governance systems are still evolving, credible disclosure of EPS, BVPS, and other accounting measures allows investors to monitor management more effectively and make informed decisions (Uwuigbe et al., 2012). Agency Theory supports this study by showing that reliable financial

statements are essential for reducing information asymmetry and agency conflicts in Nigerian firms. By testing whether accounting numbers influence investor decisions, the study evaluates how far financial reporting serves as a governance mechanism in the Nigerian market.

Conceptual Framework

Figure 1 present the conceptual framework explaining the relationship between the explanatory variables (earnings per share, book value per share, abnormal earnings) and dependent variables (firm value proxied by investment) and control variables (Firm size and leverage).

Independent Variables



Source: Researcher 2025

Research Methodology

The study adopts a descriptive and explanatory research design. The descriptive aspect enables the study to examine the role of book value of equity, abnormal earnings and earnings per share on investment decision, while the explanatory aspect helps to establish the extent to which financial statements guide investment decisions. This design is appropriate because it deals with quantitative analysis which provide robust conclusions. The population of the study consist of deposit money banks in Nigeria. This study relies entirely on secondary data obtained from Published annual financial statements of the selected listed companies on the Nigerian Exchange Group (NGX), which provide detailed information on earnings, book values, and other financial indicators. The focus will be on financial indicators such as Earnings per Share (EPS), Book Value per Share (BVPS), Net Income, and other relevant accounting measures used in assessing firm performance. Given that the study focuses exclusively on the Nigerian banking sector, a purposive sampling technique was adopted. This technique ensures that only firms that meet specific selection criteria are included in the study. The sample size of the study consist of 10 deposit money banks.

Table 1 Sample of the Study

S/N	Bank
1	Access Holdings Plc
2	Zenith Bank Plc Guaranty Trust Holding Company (GTCO)
3	Plc
4	United Bank for Africa plc
5	Wema Bank plc
6	Stanbic IBTC holdings plc
7	First city monument Bank plc
8	Fidelity Bank plc
9	Sterlings financial Holdings plc
10	Union bank plc

Source: Researcher 2025

Model Specification

The study specifies an econometric model that links investment decisions to key accounting variables.

The functional form of the model is expressed as:

$$INV=f(EPS,BVPS,ABN,FSZ,LEV)$$

$$INV_{it}=\beta_0_{it}+\beta_1EPS_{it}+\beta_2BVPS_{it}+\beta_3ABN_{it}+\beta_4FSZ_{it}+\beta_5LEV_{it}+\mu$$

Where:

INV = Investment Decision (dependent variable)

EPS = Earnings per Share

BVPS = Book Value per Share

ABN = Abnormal Earnings

FSZ = Firm Size

LEV = Leverage

β_0 = Constant term

β_1 – β_5 = Coefficients of the explanatory variables showing their effect on investment decision

μ = Random error term

Data Presentation, Analysis and Interpretation

The chapter covers descriptive statistics, correlation analysis, and the regression results estimated using Driscoll-Kraay standard errors to address issues of heteroskedasticity and cross-sectional dependence. The findings are discussed in line with the study objectives and hypotheses.

Descriptive Analysis

This section provides a descriptive analysis of the variables used in the study. Firm value (INV), earnings per share (EPS), book value per share (BVS), abnormal earnings (AES), firm size (FS), and leverage (LEV).

Table 2 Descriptive Statistics

Variable	OBS	Mean	Min	Max	Skewness	Kurtosis
INV	100	13.447	0	69.65	1.51292	5.13392
EPS	100	3.6976	0.06	35.44	3.12164	13.7303
BVS	100	0.08826	-0.0005	7.236	9.84108	97.9019
AES	100	3.3465	0.05	32.46	3.13373	13.8524
FS	100	9.23804	7.94139	10.8803	-0.2023	2.43579
LEV	100	0.71026	0.0025	1.01125	-1.4037	3.09519

Source: Stata version 15.

The descriptive statistics reveal the central tendencies and dispersion of the variables used in the study. Firm value (INV) has a mean of 13.45, ranging from 0 to 69.65, and is moderately skewed to the right, indicating that a few firms have significantly higher values. Earnings per Share (EPS) shows a mean of 3.70 but with a widespread, suggesting substantial variation in profitability among firms. Book Value of Equity (BVS) has a very low mean (0.088), very high skewness (9.84), and extremely high kurtosis (97.90), indicating strong outliers and non-normal distribution. Abnormal Earnings (AES) also shows similar non-normal characteristics with high skewness and kurtosis. Firm Size (FS) is approximately normally distributed with low skewness and kurtosis near 3, while leverage (LEV) is left-skewed, meaning more firms have higher leverage ratios. These distributional characteristics confirm the need for robust estimation techniques such as the Driscoll–Kraay model used later in the analysis.

Correlation Analysis

The table presents the correlation coefficients for firm value (INV), earnings per share (EPS), book value per share (BVS), abnormal earnings (AES), firm size (FS), and leverage (LEV). The analysis helps to identify potential multicollinearity issues and provides preliminary insights into how the variables relate before the regression estimation.

Table Correlation Analysis

	INV	EPS	BVS	AES	FS	LEV
V	1					
EPS	0.3799	1				
BVS	0.0139	-0.0237	1			
AES	0.3789	0.9999	-0.0236	1		
FS	0.0577	0.5489	0.262	0.547	1	
LEV	-0.2353	0.1907	-0.1927	0.1897	0.6917	1

Source: Stata version 15.

The correlation results show that Earnings per Share (EPS) and Abnormal Earnings (AES) both have a moderately positive correlation with firm value (INV), with coefficients of 0.3799 and 0.3789 respectively, suggesting that profitability measures tend to move in the same direction as firm value. Book Value of Equity (BVS) has a very weak correlation with firm value, implying a limited linear relationship. Firm size (FS) shows a positive association (0.0577),

while leverage (LEV) has a negative correlation (-0.2353), indicating that more leveraged firms tend to have slightly lower firm values. The extremely high correlation between EPS and AES (0.9999) indicates perfect multicollinearity, suggesting both measures capture nearly identical financial performance characteristics. This justifies the econometric correction using Driscoll Kraay standard errors.

Regression Analysis

The regression analysis was conducted to examine the effect of financial statement indicators Earnings per Share (EPS), Book Value per Share (BVS), and Abnormal Earnings (AES) on firm value (INV), while controlling for Firm Size (FS) and Leverage (LEV). The analysis employed the Driscoll Kraay standard error estimator, which provides robust corrections for heteroskedasticity, autocorrelation, and potential cross-sectional dependence among the sampled firms.

Table 4 Regression with Driscoll-Kraay standard errors

INV	Coef.	Drisc/Kraay Std. Err.	t	P>t
EPS	24.3049	9.91017	2.45	0.037
BVS	-6.1008	1.31347	-4.64	0.001
AES	-26.393	10.9643	-2.41	0.039
FS	6.2688	2.10011	2.98	0.015
LEV	-19.805	5.07959	-3.9	0.004
CONS	-31.406	19.2413	-1.63	0.137
R-squared		0.2661		
Prob > F		0.0000		
BPLM Test for random effects		1.0000		
Hausman Specification Test		0.4305		
Groupwise Heteroskedasticity (Modified Wald)		0.0000		
Pesaran's test of cross-sectional independence		0.8006		

Source: Stata version 15.

Based on the result from Table 4, the Breusch–Pagan Lagrangian Multiplier Test for Random Effects p-value = 1.0000 indicates that random effects are not appropriate. Pooling is preferable over random effects. Furthermore, Hausman Specification Test p-value = 0.4305 suggests no significant difference between fixed and random effects, meaning random effects would normally be preferred. But since the LM test rejected random effects, the model falls back to Fixed Effects. Groupwise Heteroskedasticity Test p-value = 0.0000 Heteroskedasticity is present. This justifies the use of Driscoll–Kraay standard errors, which correct for heteroskedasticity. Pesaran’s Test of Cross-sectional Dependence p-value = 0.8006 indicates no cross-sectional dependence. However, Driscoll Kraay is robust to both dependence and autocorrelation, so using it is still acceptable. Therefore, based on the combination of the diagnostic tests: LM test rejects random effects which means random effects not suitable

Hausman suggests no difference between fixed or random both okay FE is chosen because RE is invalidated by LM test Driscoll Kraay is used to correct heteroskedasticity Thus, the Fixed Effects model with Driscoll Kraay standard errors is the most appropriate model for interpretation.

The regression results indicate that Earnings per Share (EPS) has a positive and statistically significant effect on firm value at the 5% significance level ($\beta = 24.30$; $p = 0.037$). This implies that increases in earnings performance lead to higher firm value, supporting the usefulness of profitability indicators for investment decisions. Book Value of Equity (BVS) shows a negative and significant relationship with firm value ($\beta = -6.10$; $p = 0.001$). This suggests that firms with higher book values tend to experience lower market valuation, possibly reflecting market skepticism toward asset-based measures compared to earnings-based metrics.

Abnormal Earnings (AES) also displays a negative and significant relationship with firm value ($\beta = -26.39$; $p = 0.039$). This suggests that investors may perceive abnormal earnings as unsustainable or manipulative, resulting in lower firm valuation. Firm size (FS) has a positive and significant influence on firm value ($\beta = 6.27$; $p = 0.015$), supporting the theory that larger firms enjoy economies of scale and market confidence. Leverage (LEV) has a negative and significant effect on firm value ($\beta = -19.81$; $p = 0.004$), indicating that higher debt levels erode firm value.

The R-squared value of 0.2661 shows that the model explains approximately 26.6% of the variations in firm value, which is acceptable for financial panel data. The model is statistically significant overall (Prob > F = 0.0000).

Hypotheses Testing

H₀₁: There is no significant relationship between the book value of equity and firm value.

The first hypothesis examined whether the book value of equity significantly influences firm value. The regression results shows that book value of equity (BVS) has a negative and statistically significant coefficient ($\beta = -6.1008$, $p = 0.001$). Since the p-value is below the 5% significance level, the study rejects the null hypothesis. This finding implies that book value of equity plays an important role in determining firm value within the Nigerian context.

H₀₂: There is no significant relationship between abnormal earnings performance and firm value.

The second hypothesis tested the relationship between abnormal earnings performance (AES) and firm value. The regression analysis reveals a negative and statistically significant relationship between abnormal earnings and firm value ($\beta = -26.393$, $p = 0.039$). With a p-value below the 5% threshold, the study rejects the null hypothesis. The negative coefficient indicates that increases in abnormal earnings are associated with declines in firm value, suggesting that investors may view abnormal earnings as unsustainable, or possibly a signal of earnings manipulation.

H₀₃: There is no significant relationship between Earnings per share and firm value.

The third hypothesis assessed whether earnings per Share (EPS) has a significant relationship with firm value. The regression results shows that EPS is positively and significantly related to firm value ($\beta = 24.3049$, $p = 0.037$). Given that the p-value is less than the 5% significance level, the null hypothesis is rejected. This result indicates that higher earnings per share lead to an increase in firm value, demonstrating that profitability indicators are highly relevant to investors in the Nigerian capital market.

Conclusion

The research concludes that financial statements play a significant role in guiding investment decisions in Nigeria, particularly through earnings-related information. Earnings per Share (EPS) emerged as a critical determinant of firm value, reinforcing its importance as a key profitability indicator for investors seeking to understand a company's performance. The negative effect of book value of equity (BVS) on firm value suggests that investors place less emphasis on asset-based measures, possibly due to outdated valuations or concerns about the reliability of assets reported by firms. Similarly, the negative relationship between abnormal *earnings and firm value indicates that investors may discount earnings that deviate substantially from expected patterns, as such deviations can signal potential manipulation. The study also concludes that larger firms tend to attract higher market valuations due to greater stability and investor confidence, while excessive leverage reduces firm value by increasing financial risk. The study affirms that financial statements remain decision-useful in the Nigerian financial market, but their relevance depends on the quality of earnings and the credibility of reporting practices.

Recommendations

Based on the findings, the study makes the following key recommendations:

- i. Companies should prioritize the quality and transparency of earnings reporting: Since EPS significantly influences firm value, banks and other companies must ensure that their reported earnings reflect true economic performance, free from manipulation or earnings management practices that could mislead investors. Regulatory bodies should strengthen oversight of asset valuation practices: The negative effect of book value suggests potential issues in how assets are valued and reported. Regulators such as the Financial Reporting Council (FRC) and the Central Bank of Nigeria (CBN) should enforce stricter compliance with IFRS to enhance the credibility of book value information.
- ii. Investors should rely more on profitability indicators rather than asset-based measures. Given that EPS is more predictive of firm value than book value or abnormal earnings, investors are encouraged to prioritize earnings-based ratios when evaluating investment opportunities in the Nigerian market. Companies should manage leverage levels to maintain investor confidence. Since high leverage significantly reduces firm value, companies especially banks should adopt prudent capital structures, balancing debt and equity to reduce financial risk and improve market valuation.
- iii. Financial literacy programs should be expanded for retail investors. Government agencies, stockbrokers, and financial institutions should develop training programs that

help investors understand financial statements, improving their ability to make informed investment decisions based on reliable financial indicators.

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