

## Shareholders' Returns and Profitability of Nigeria Brewery Industry

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### ABSTRACT

*The main aim of this research work is to examine the effect of shareholders' return on the profitability of Nigeria Brewery industry. The objectives of the study include to: examine the effect of earnings per share on the profit for the year of Brewery industry in Nigeria, ascertain the extent to which dividends per share affects the profit for the year of Brewery industry in Nigeria, and investigate the effect of return on equity on the profit for the year of Brewery industry in Nigeria. The study used secondary sources of data from the annual reports of the selected companies in Nigeria. The statistical techniques used for this study was ordinary least square for regression analysis for the test of hypothesis. The study found out that earnings per share have significant effect on the profit for the year of Brewery industry in Nigeria, dividends per share has significant effect on the profit for the year of Brewery industry in Nigeria and return on equity significantly affect the profit for the year of Brewery industry in Nigeria. The study recommended that the management of brewery firms in Nigeria should try as much as possible to diversify their products and also maintain the brand and price integrity, that is, they should effectively build a strong company brand and reputation and leverage to convey value in their promotional message and consistent branding and pricing, the companies should maintain their current liquidity position in order to enable them have good working capital for them to continue in operation in line with the going concern concept of accounting, and the management should endeavor to improve productivity and reduce cost.*

*Keywords: Shareholders' return, Profitability, and Ordinary Least Square.*

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### INTRODUCTION

[1] are of the view that shareholders wealth is the projected future earnings to the firm owners calculated in their present value. These projected future earnings are usually in the form of dividends distributed periodically and proceeds from the trading of share. They also highlighted that dividends are paid to ordinary shareholders out of corporate profits. In their study carried out on listed companies in Nigeria, it revealed that changes in dividend payment could be used to predict share price movement which consequently affects shareholders wealth. However, share prices are dependent on stability and growth of the economy

Maximizing shareholders' wealth has always been a focus for all companies as precedence among other corporate issues like corporate social responsibilities.

[2] are of the view that companies report earnings quarterly and this brought about pressure on management to deliver acceptable earnings per share performance. Recent corporate scandals have been attributed to managers' over-emphasis on short-term earnings per share performance. Earnings per share growth is determined by incomes retained in reserves, loan liabilities, operating leverage and financial leverage.

[3] state that the wealth of the shareholders of a firm is a reflection of the level of Return on Equity (ROE), Earnings per Share (EPS), Dividends per Share (DPS) and Economic Value Added (EVA) of that firm. Return on Equity shows the relationship between net profit for the year and net equity, that is, the capital plus all retentions and reserves. ROE indicates how well the firm has used the resources of shareholders. This ratio is

one of the most important relationships in financial analysis [4]. The earning of a satisfactory return implies the maximization of shareholders wealth. This is the most desirable objective of a business. [5] state that this ratio reflects the extent to which this objective has been accomplished. Thus, this ratio is of great interest to the actual and potential share-holders and also of great concern to management, which has the responsibility of maximizing the shareholders' wealth. A firm can convert its ROA into an impressive ROE through financial efficiency.

[6] is of the view that financial leverage and debt-equity ratios affect ROE and reflect efficiency. ROE is thus a product of ROA (reflecting operating efficiency) and financial leverage ratios (reflecting financial efficiency). Earnings per Share (EPS) are the measure of the profitability of the common shareholders' investment [7]. It is defined by the relationship between profit for the year and the number of common (ordinary) shares outstanding. EPS simply shows the profitability of the firm on a per-share basis. As a profitability index, it is a valuable and widely used ratio. Leverage magnifies the EPS for a firm with positive earnings. It is therefore a measure of shareholders' wealth [8].

[9] state that Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis. A positive EVA indicates that the operating profit is sufficient to cover the total cost of capital. The EVA provides management tool for investors and corporate managers to identify whether value has been created or not for any business and investments. On the other hand, [10] note that Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time by the number of outstanding ordinary shares issued. DPS is an important metric to

investors because the amount a firm pays out in dividends directly translates to income for the shareholder, and the DPS is the most straightforward figure an investor can use to calculate his or her dividend payments from owning shares of a stock over time.

#### **Statement of the Problem**

The more cash flow a company has over and above its expenses the healthier it will be. Most business financing problems occur when there is lack of cash flow or when the business has taken on too much debt. A business needs positive cash flow to make payroll, cover monthly expenses, provide working capital, expand sales and ultimately grow.

Investors are particularly interested in the dividend policy and earnings of a firm. The dividend payout ratio pertaining to the dividend policy of firms measures the percentage of net income that is distributed to shareholders in the form of dividends during the year while the earnings per share depicts the profitability of the firm on a per-share basis. In other words, these ratios show the portion of profits the company decides to keep funding operations and the portion of profits that is given to shareholders as well as the profits accrued to the company on each of the company's share. Investors have much interest in the dividend payout ratio because they want to know if the company or companies are paying out a reasonable portion of net income to investors. Investors can see that these dividend rates cannot be sustained very long because the company will eventually need money for its operations. It therefore implies that failure to effective controls both dividends and earnings might have issues in ensuring sustainability of business activities.

Because the managers of a firm are directed and guided by a Board of Directors, and because they do not profit directly from the firm's goal to maximize shareholder wealth (unless they are also shareholders), conflict can sometimes arise between stockholders and managers. This conflict is called the agency problem. Managers serve as agents of the shareholders. If there is an agency

problem, it could affect shareholders wealth to a great extent. This necessitates the essence of this study on effect of shareholder returns on firms' profitability of Nigeria Brewery industries.

#### **Objectives of the Study**

The broad objective of the study is to examine the effect of shareholder returns on the profitability of Nigeria Brewery industry. Specifically, the study is set to:

1. Examine the effect of earnings per share on the profit for the year of Brewery industry in Nigeria.
2. Determine how economic value added affects the profit for the year of Brewery industry in Nigeria.
3. Ascertain the extent to which dividends per share affects the profit for the year of Brewery industry in Nigeria.
4. Investigate the effect of return on equity on the profit for the year of Brewery industry in Nigeria.

#### **Research Questions**

The following research questions will guide the study:

1. What is the effect of earnings per share on the profit for the year of Brewery industry in Nigeria?
2. How does economic value added affect the profit for the year of Brewery industry in Nigeria?
3. To what extent do dividends per share affect the profit for the year of Brewery industry in Nigeria?
4. What is the effect of return on equity on the profit for the year of Brewery industry in Nigeria?

#### **Statement of Hypotheses**

The following hypotheses formulated will guide the study:

1. Earnings per share do not have significant effect on the profit for

the year of Brewery industry in Nigeria.

2. Economic value added does not significantly affect the profit for the year of Brewery industry in Nigeria.
3. Dividends per share does not have significant effect on the profit for the year of Brewery industry in Nigeria.
4. Return on equity does not significantly affect the profit for the year of Brewery industry in Nigeria.

#### **Significance of the Study**

The study is of immense significance to the following groups of people:

##### **To the researcher:**

The study will increase the knowledge of the researcher on the effect of shareholder returns on firms' profitability of Nigeria Brewery industries.

##### **Brewery firms in Nigeria:**

The findings of the study will highlight how shareholder returns affects firms' profitability.

##### **Students and other researchers:**

This group of people will use the information contained in this study for their own research and also widen their extent of knowledge about how the variables of shareholders returns affect profitability.

#### **Scope of the Study.**

The scope of the study covered two selected brewing firms in Nigeria being Nigeria Breweries Plc and Guinness Nigeria Plc. The duration of the study covered 2009 to 2018. The variables under study will include; earnings per share, economic value added, dividends per share, return on equity and profit for the year.

#### **REVIEW OF RELATED LITERATURE**

##### **Conceptual Review**

##### **Concept of Shareholders' Wealth**

The goal of wealth maximization is widely accepted to be the main goal of a business as it reconciles the varied, often conflicting, interests of stakeholders [11]. [12] maintains that a majority of Nigerian investors are willing to take risks at a

reasonably high level. According to him, there is a need to foster a stable and predictable macroeconomic environment and the subsidization of investment advisory services in order to spur Nigerian investors from having a moderate attitude towards risk taking to aggressive investment behavior. Hence,

shareholders' wealth is represented by the market price of a company's common stock, which, in turn, is the function of the company's investment, financing and dividend decisions.

[13] state that shareholders' wealth is influenced by various factors. These factors include dividend policy, earnings after tax and interests, changes in share prices and market forces. The assumption is that creation of shareholders' wealth is the primary objective of most listed companies; therefore existing and potential shareholders focus on maintaining and building of wealth they have invested in a listed company for an economic gain.

Among the most crucial decisions to be taken for efficient performance and attaining the objectives of any organization is decisions relating to dividend [14]. Dividend decisions are recognized as central because of the increasingly significant role of finances in a firm's overall growth strategy [15]. [16] is of the view that the objective of the finance manager should be finding an optimal dividend policy that will enhance the value of the firm. It is often argued that the share prices of a firm tend to reduce whenever there is a reduction in its dividend payments. Announcements of dividend increases generate abnormal positive security returns while announcements of dividend decreases generate abnormal negative security returns.

[17] state that a drop in share prices occurs because dividends have a signaling effect. According to the signaling effect, managers have private and superior information about future prospects and choose a dividend level to signal that private information. Such a calculation on the part of a firm's management may lead to a stable dividend payout ratio. For investors, dividends - whether declared today or accumulated and provided at a later date are not only a means of regular income, but also an important input in the valuation of a firm. Similarly, managers' flexibility to invest in projects is also dependent on the amount of dividend that they can offer to shareholders as more dividends may

mean fewer funds available for investments.

Accordingly a dividend policy can be used as a mechanism for reducing agency costs [18]. Dividend payments reduce the discretionary funds available to managers for consumption and investment opportunities and require managers to seek financing in capital markets which ultimately affects shareholders' wealth [19]. In addition, [20] state that companies generally prefer a stable dividend payout ratio because the shareholders expect it and reveal a preference for it. Shareholders may want a stable rate of dividend payment for a variety of reasons. Risk-averse shareholders will be willing to invest only in those companies which pay high current returns on shares. This class of investors, which includes pensioners and other small savers, is partly or fully dependent on the dividend to meet their day-to-day needs. Similarly, educational institutions and charity firms prefer stable dividends because they will not be able to carry on their current operations otherwise. Such investors, therefore, prefer companies which pay regular dividends every year. This clustering of stockholders in companies with dividend policies that match their preferences greatly affects their market prices and by extension the wealth of shareholders.

#### **Earnings per Share**

Existing and potential equity share investors often use accounting information to make investment decisions: they often review a company accounting information to review its financial health and operational profitability; this provides information about whether or not investing in the equity share of a company is a wise investment decision [21]. The investors' decisions to buy or not to take stock depend upon accounting information and the more investors use accounting information, it is expected that rational decisions are made [22]. The survival, stability and growth of a company largely depend on its operating performance which is usually measured in terms of earnings per share [23]. The importance of earnings per share in stock market

growth can best be appreciated by examining how well earnings explain or impact on equity investment decisions. Investment decisions depend on expectations of the benefits of the investment, which in turn depend on expectations of future growth and product demand. Expectations of future growth are based on information on earnings per share. Equity share investors normally use earnings per share, to measure the performance and future prospect of a company and as a base for decisions to dispose of some or all of their shares, or to buy some [24]. Therefore, earnings per share are very important to equity share investors for investment decision makings. [25] argue that earning per share is more value relevant than book values, while accounting data explains a high proportion of the stock price. [26] claim that recent financial performance of the company is one of the major factors the determined equity share investment decision in Nigeria. Furthermore, [27] supported the assertion made by Aregbeyan and Mbadiugha by claiming that corporate earnings is one of the most important factors influencing investment decisions of investors in Nigeria.

#### **Economic Value Added**

Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis [28]. EVA can also be referred to as economic profit, as it attempts to capture the true economic profit of a company.

EVA is the incremental difference in the rate of return over a company's cost of capital. Essentially, it is used to measure the value a company generates from funds invested into it. If a company's EVA is negative, it means the company is not generating value from the funds invested into the business [29]. Conversely, a positive EVA shows a company is producing value from the funds invested in it.

Economic Value Added (EVA) was developed by Stern Stewart and Company in 1990 to measure the profitability of

firms [30]. It is a measure of incremental return that an investor earns over the market rate of return. In other words, EVA is an estimate of true economic profit or an amount by which the earnings exceed or fall short of the cost of capital of a company. [31] argued that accounting earnings such as earnings per share and earnings growth are misleading measures of corporate performance because they fail to recognize the cost of capital and riskiness of a firm's operation. He argued further that economic value added should be used instead of earnings or cash flow from operations to measure both internal and external performance of a company. Traditional accounting measures are usually influenced by the subjective opinion of the accountant. As a consequence, managers can manipulate such performance measures [32].

EVA is widely used as a guide for investment decisions because it helps to improve firms' performance, operating profits, cashflow measures, cost of capital and firms' investment activity.

#### **Dividends Per Share**

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding [33]. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time by the number of outstanding ordinary shares issued. A company's DPS is often derived using the dividend paid in the most recent quarter, which is also used to calculate the dividend yield.

[34] stated that DPS is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder, and the DPS is the most straightforward figure an investor can use to calculate his or her dividend payments from owning shares of a stock over time. Meanwhile, a growing DPS over time can also be a sign that a company's management believes that its earnings growth can be sustained.

#### **Return on equity**

In corporate finance, the return on equity (ROE) is a measure of the profitability of a business in relation to

the book value of shareholder equity, also known as net assets or assets minus liabilities. ROE is a measure of how well a company uses investments to generate earnings growth.

ROE is equal to a fiscal year net income (after preferred stock dividends, before common stock dividends), divided by total equity (excluding preferred shares), expressed as a percentage.

[35] states that ROE is especially used for comparing the performance of companies in the same industry. As with return on capital, a ROE is a measure of management's ability to generate income from the equity available to it. ROEs of 15-20% are generally considered good.

ROEs are also a factor in stock valuation, in association with other financial ratios. In general, stock prices are influenced by earnings per share (EPS), so that stock of a company with a 20% ROE will generally cost twice as much as one with a 10% ROE.

The benefit of low ROEs comes from reinvesting earnings to aid company growth. The benefit can also come as a dividend on common shares or as a combination of dividends and company reinvestment. ROE is less relevant if earnings are not reinvested. The growth rate will be lower if earnings are used to buy back shares. If the shares are bought at a multiple of book value (a factor of  $x$  times book value), the incremental earnings returns will be reduced by that same factor ( $ROE/x$ ).

[36] is of the view that return on equity is the amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

[37] are of the view that return on equity is useful in comparing the profitability of a company to that of other firms in the same industry. It illustrates how effective the company is at turning the cash put into the business into greater gains and growth for the company and investors. The higher the return on equity, the more efficient the company's operations are making use of those funds.

### Financial Ratios

A financial ratio is a relative magnitude of two selected numerical values taken from an enterprise's financial statements [38]. Financial ratios may be used by managers within a firm, by current and potential shareholders (owners) of a firm, and by a firm's creditors. Financial analysts use financial ratios to compare the strengths and weaknesses in various companies [39]. If shares in a company are traded in a financial market, the market price of the shares is used in certain financial ratios.

[40] are of the view that financial ratios are relationships determined from a company's financial information and used for comparison purposes. Examples include such often referred to measures as return on investment (ROI), return on assets (ROA), and debt-to-equity, etc. These ratios are the result of dividing one account balance or financial measurement with another. Usually these measurements or account balances are found on one of the company's financial statements—balance sheet, income statement, cashflow statement, and/or statement of changes in owner's equity. Financial ratios can provide small business owners and managers with a valuable tool with which to measure their progress against predetermined internal goals, a certain competitor, or the overall industry [41]. In addition, tracking various ratios over time is a powerful means of identifying trends in their early stages. Ratios are also used by bankers, investors, and business analysts to assess a company's financial status.

[42] states that ratios are calculated by dividing one number by another, total sales divided by number of employees, for example. Ratios enable business owners to examine the relationships between items and measure that relationship. They are simple to calculate, easy to use, and provide business owners with insight into what is happening within their business, insights that are not always apparent upon review of the financial statements alone. Ratios are aids to judgment and cannot take the place of experience. But experience with reading ratios and tracking them over time will

make any manager a better manager. Ratios can help to pinpoint areas that need attention before the looming

problem within the area is easily visible [43].

#### THEORETICAL FRAMEWORK

##### **Free Cash Flow Theory**

The Free Cash Flow Theory was propounded by Jensen Michael in 1976. [44], sets that in the free cash flow theory, administrators don't act in a way consistent with profit maximization. Directors instead utilize increased cash flow to seek after destinations that have little to do with increasing profits and a lot to do with making the administrators lives better, (for example, increasing the extent of their organization), or simpler. The office cost explanation introduced by Jensen, [45], proposes that monitoring trouble makes the potential for management to spend internally produced cash flow on ventures that are useful from a management perspective however expensive from a shareholder perspective. It holds that investments lessen free cash flow accessible to seek after their personal go getter consumption and problematic investments, contends that administrators of firms with free cash flows (cash flows in overabundance of profitable investment openings) tend to squander cash by taking unreasonable perquisites or by making unprofitable investments. Administrators will probably utilize the free cash flows to make investments that will be incremental to the measure of the firm (or to pay themselves exorbitant perks), than to pay profits to the shareholders or repurchase outstanding shares.

A testable implication of the office hypothesis is that firms that have free cash flows are probably going to develop beyond the ideal point of shareholder riches maximization. Shareholders of such firms will profit by any administrative decision that keeps these inefficient uses. Share repurchases anticipate such waste by using up overabundance cash flows. The way that capital markets rebuff profit cuts with expansive stock value reductions is consistent with the office expenses of free cash flow. Obligation creation, without retention of the returns of the issue,

empowers directors to adequately bond their guarantee to pay out future cash flows. In this manner, obligation can be a viable substitute for profits, something not by and large perceived in the corporate finance writing. By issuing obligation in return for stock, directors are bonding their guarantee to pay out future cash flows in a way that can't be expert by straightforward profit increases. In doing along these lines, they give shareholder beneficiaries of the obligation the privilege to bring the firm into insolvency court on the off chance that they don't maintain their guarantee to make the interest and principal installments.

##### **Modern Portfolio Theory**

The Modern Portfolio Theory was hypothesized by Findlay and Hamilton in 1979. The theory approaches investing by examining the whole market and the entire economy. The theory is an option in contrast to the more established technique for analyzing every investment's individual benefits. Investors take a gander at every investment's individual benefits; they are analyzing one investment without worrying about the manner in which distinctive investments will perform in respect to one another. On the other hand, present day portfolio theory puts an expansive accentuation on the correlation between investments. Markowitz in 1952 built up a fundamental portfolio display that demonstrated how hazard could be lessened within a portfolio by combining assets whose returns demonstrate not as much as perfect positive correlation. The Markowitz theory misused the low correlation between two assets and demonstrates that as long as the correlation between the two assets is low, the hazard component of a portfolio would be not as much as the normal of the danger of the individual assets [46]. Portfolio could be decreased by spreading the measure of assets accessible for investments into an assortment of

chances, each in an alternate hazard class. Institutional investors have throughout the years accomplished portfolio diversification using property and equity as their prime investments. The investigation is tied down on the Free Cash Flow Theory which lays accentuation

on the way that administrators of organizations settle on administrative decisions with respect to cash and cash equivalent that favors organizational growth rather than enriching shareholders of a firm.

#### EMPIRICAL REVIEW

##### Earnings per Share

[46] carried out a study on the relationship between stock prices and earnings-per-share (EPS) using Panel cointegration methods. The study indicated that the cointegration relationship existed between stock prices and EPS in the long-run. They also found that for firm with a high level of growth rate, EPS has less power in explaining the stock prices;

[47] studied the effect of current period earning divided by stock price at the beginning of the stock market period, current period dividend divided by stock price at the beginning of the stock market period, prior dividend divided by stock price at the beginning of the stock market period and the reverse of stock price at the beginning of the stock market period on stock market returns in Iran. The authors used cross-section, pooled data and panel data regression models. The results indicated that in some years, shareholders take special interest in dividends and also the variable prior dividend divided by stock price at the beginning of the stock market period affects stock return. They also found that there is a significant relationship between current period earning divided by stock price at the beginning of the stock market period and stock return.

[48] studied the stock market reaction to aggregate earnings news. They observed that for individual firms, stock prices react positively to earnings news but require several quarters to fully reflect the information in earnings. They also found that the relation between returns and earnings is substantially different in aggregate data. It was discovered that returns are unrelated to past earnings, suggesting that prices neither under-react nor over-react to aggregate earnings news.

[49] studied the relationship between earnings figures and stock returns. They stated that previous studies resulted in controversial results regarding the usefulness of models which were using earnings levels or earnings changes as the explanatory variable. The results indicated a significant value relevancy of accounting earnings prepared under the Greek GAAP.

[50] studied the relationship and the impact of EPS on Market price of selected companies. They found out that the most basic factors that influence price of equity share are demand and supply factors, implying that if most of the people start buying then prices move up and if people start selling prices go down.

[51] studied the relationship between stock prices and firm earning per share (EPS) which appears to be contestable like any other performance measures. The study examined the relationship between stock prices and firm EPS from 2005 to 2009 employing a simple linear regression model on a panel of 140 Nigerian firms from a total population of 216 firms' operated in Nigerian Stock Exchange (NSE). It was discovered that an insignificant relationship exists between stock prices and firm EPS in Nigeria. It was found that firm EPS has no predictive power on stock prices. They however suggested that firm EPS should not be relied upon for the prediction of the behavior of stock prices in Nigeria.

[52] studied predictability of accounting earnings using changes in share prices of companies listed at the Nairobi Stock Exchange in the finance and investment sector for the duration 2001 to 2005. The data was obtained from the Nairobi Stock Exchange, where the information selected were Earnings per share, Dividend yield, Price to earnings ratio and the share price. Eleven companies were analyzed and all of them had positive change



towards the accounting earnings in relation to the share price. Additionally, the relationship between accounting variables and the Nairobi Stock Exchange information indicated mixed results, with some companies showing a strong positive correlation and others weak correlation.

[53] studied the relationship between earnings management and performance of acquiring firms in Malaysia for the period 2004- 2010. The study measured earnings management using discretionary accruals derived from modified Jones model and firm's performance estimated by monthly Cumulative Abnormal Return (CAR). The results indicated that share acquirer firms unlike cash acquirers manipulated their earnings preceding acquisition announcement date.

[54] carried out a study on the effect of corporate governance mechanisms on reported earnings quality of listed Insurance companies in Nigeria for the duration 2007- 2010. The multiple regression revealed board size, board independence and audit committee size have significant negative effect on earnings management while audit committee independence and independent external audit have positive relationship with discretionary accruals.

[55] assessed whether firm attributes affect earnings quality of listed oil and gas companies in Nigeria for the period of 2007-2011. The study found that leverage, liquidity and firm growth have significant positive effect on earnings quality while firm size, institutional ownership and profitability have significant but negative influence on earnings quality of listed oil and gas companies in Nigeria.

[56] studied the effect of firm characteristics on earnings management of listed companies in Nigeria. Using a sample of 20 listed firms, the study employed pooled ordinary least square regression and found that firm size and firms' corporate strategy have a significant positive impact on earnings management. On the other hand, the relationship between firms' financial leverage and discretionary accruals of the

sampled firms in Nigeria was not significant.

[57] comparatively studied the value relevance of financial information in the Nigeria banking and petroleum sectors. They adopted multiple regressions analysis for the analysis of the data and the Ordinary Least Square method for estimation. The regression results revealed among the following that: the earnings per share information is the most considered by investors when deciding the equity share investment in listed companies in Nigeria.

[58] studied the investors' reactions to the announcement of earnings in the Tehran Stock Exchange in Iran. This study investigated the overreaction and under reaction of investors towards positive and negative earnings announcement dividing the sample into two groups. The results indicated that there is a statistically significant market reaction on the earnings per share announcement day. Earnings increases induce a significant positive equity share investors' reaction, whereas earning decreases bring about a significant negative equity share investors' reaction.

[59] investigated the accounting information and stock volatility in the Nigerian Capital Market. The study examined if Book value per share, Dividend per share and Earnings per share have a sign effect on stock volatility in Nigeria. Regression analysis was adopted for the study while the results showed that the release of information on book values, earnings per share and dividend per share is found to be related to stock volatility.

[60] studied the impact of earnings per share on the wealth of the shareholders in Nigeria among the agricultural sector. The statistical analysis of the study showed a positive correlation between (EPS) and corporate shareholders. The study recommended that companies, especially those operating in emerging industries such as agriculture, should ensure that they have good and strong dividend policies in order to enhance their profitability and attract investments to the sector.

[61] carried out a study on the effect of (EPS) and price earnings ratios on the market price of share. The study sample was 8 companies for the automotive sector. The study used the multiple regression model. The analysis showed there is a strong correlation between profit per share and stock market price, also there is a strong correlation between price earnings ratio and market price of share for the selected sample.

#### **Economic Value Added**

[62] studied the impact of Economic Value Added (EVA) on stock returns in Nigeria from 2004 to 2015. OLS was adopted for the study and the result indicated that a significant positive relationship between EVA and stock returns in Nigeria. The findings of the study confirmed that EVA increases stock returns in Nigeria.

[63] empirically analyzed the relationship between accounting information and stock price with a few accounting information indexes. The results, based on 60 listed companies in Shanghai Stock Exchange for 2011, revealed that positive relationship exists between accounting information and stock price, but the significant degree varies. The result further revealed that earnings per share and return on equity have the most significant correlation.

[64] examined the information content of EVA based on Australian evidence. The findings of the study revealed that stock returns are more closely associated with EVA than residual income, earnings and net cashflow.

[4] investigated EVA and its association with stock returns. The study adopted regression analysis and found out that net operating profit for the years and net income outperform EVA in explaining stock returns.

[8] measured how well EVA and market value added (MVA) relate to share price performance and the impact of chief executive officer (CEO) turnover on EVA and MVA. They used a sample of 241 large US companies and computed six performance measures for each company for 4 years (1990-1993). These performance measures are three accounting rates of return (return on asset (ROA), return on equity (ROE) and

return on sales (ROS)) and three share returns (dividend per share (DPS), earnings per share (EPS) and changes in share price). These measures are now related to economic value added and market value added. The evidence of the findings showed a significant positive relationship between the performance measures and share price returns. Economic value added correlated slightly better than other measures.

[11] investigated the relationship among market value added, shareholder value and economic value added using cross-sectional time series data. The study used multiple regression. The research evidence reveals that there is no advantage of using EVA instead of net operating profits after tax to explain market value added.

[14] examined the usefulness of EVA and abnormal economic earnings of US firms and the empirical evidence indicated that EVA is a significant factor in market returns and its explanatory power is higher than that of accounting earnings.

[16] conducted a survey on the relationship between EVA and firms' value. The study adopted regression analysis and found out that EVA significantly impacts on firms' value.

[17] investigated the relationship between economic value added and profitability measures such as return on assets and return on equity. He adopted the use of ordinary least square (OLS) regression using a sample of food processing companies in Czech Republic. The research evidence showed that there is a significant positive relationship between EVA and overall performance of the companies.

[19] examined superiority of EVA to other traditional performance measurement accounting tools. The findings of the study revealed that EVA is superior to return on equity and return on assets in banks stock returns.

[21] reviewed 112 literatures on EVA through the use of descriptive statistics. The result of the findings revealed that EVA is a strategy used in measuring managerial performance.

[24] tested the relationship between EVA and Firms' value. The result of the study

confirms that EVA significantly impacts on firms' value.

[27] studied the resultant performance of firm based on EVA and other residual income techniques. His findings revealed that EVA adopters dispose off more assets and make fewer new investments. The study also revealed that performance is greater in the areas that are reinforced by the EVA bonus plan.

[30] examined the relationship between EVA and MVA of US companies. He found a strong positive correlation between EVA and MVA.

[34] studied the strength of relationship between EVA and MVA. The research evidence found that MVA and NOPAT were positive on average but the average EVA over the period was negative.

[38] measured the relationship between EVA and MVA of automobile companies in India. The empirical evidence reveals that there is strong evidence to support Stern Stewart's claim.

#### **Dividends per Share**

[42] study discusses dividend policies vis-à-vis financial performance in a case study of selected registered firms in Nigeria. They opine that a dividend policy serves as a mechanism for control of managerial opportunism. Data for the study was extracted from annual reports and accounts of 25 quoted companies in Nigeria. This data was subjected to a regression analysis using the Eview software and the findings indicate that there was a positive and significant association between a firm's performance and its dividend policy in the sampled firms. The study further showed that there was a strong and positive significant relationship between ROCE, investments and dividend policies while EPS showed a positive impact on a firm's dividend policy. The authors concluded that organizations should effectively appropriate funds available to them and manage them in such a way that more profit can be generated which will in turn lead to an increase in shareholders' dividends. Secondly, adequate monitoring and supervision should be undertaken by firms to ensure prudence and proper accountability.

[46] examined dividend policies and corporate performance in Nigeria. Data for the study was got from annual reports and accounts of 25 quoted companies in Nigeria. This data was subjected to a regression analysis using the Eview software and the findings indicate a positive relationship between organizations' dividend policies and profitability. Also, there was a significant positive relationship between a firm's dividend policy and investments and there was a significant positive relationship between the dividend policy and earnings per share. The study concluded that organizations should ensure that they have good and robust dividend policies in place because these will enhance their profitability and attract investments.

[49] studied the impact of dividend policy on shareholders' wealth of the agriculture industry in Nigeria. The study adopted the ex-post facto research design to collect data and the results of a multiple regression of ordinary least square (OLS) show that a unit change in earnings per share (EPS), dividend per share (DPS), dividend pay-out (DPO) and price earning (P/E) leads to positive increase in MPS respectively. The results also showed that without paying dividends, firms' MPS will fall by 43 per cent; this shows the relevance of paying dividends by stock market firms in Nigeria.

[51] carried out a study on the impact of the dividend policy on the market capitalization of companies in the services sector in Nigeria. The study used ordinary least square while the study found out that the policy of distributing cash profits has a negative relationship with market capitalization, but not statistically significant for companies in the financial services sector. The study recommended that companies operating in the financial services sector in Nigeria do not rely on dividend policy as a strategy to increase market value.

[55] studied an evaluation of the policy of dividends and share price in Nigerian banks. The study used data from four major banks. The study used OLS. The results of the study showed a positive relationship between earnings per share

and Market Capitalization. The study recommended that effective policies to obtain more benefits from earnings per share for better performance.

[58] studied the impact of dividend policies on corporate value. There are three important decisions; investment, funding decisions and allocation of profits. The study works to collect these decisions in order to achieve the goals required for companies; to maximize the wealth of shareholders. In order to reach the results, the study used the (SPSS) program. The statistical analysis of the study showed that changes in the policy of dividend lead to a large extent changes in the value of the company.

[62] studied the impact of dividends policies on the wealth of shareholders in Indian banks listed in Bombay Stock Exchange. The study used multiple regression methods, t-test, adjusted (R<sup>2</sup>) and (F-test). The results of the analysis revealed that there is a significant impact of the policy of dividend on the share price in Indian banks.

[64] carried out a study on the impact of the dividends policy on the market capitalization of the banking industry in Kenya. The study used Pearson correlation analysis. The analysis showed a strong correlation between earnings per share, market value, profit growth and dividend policy. The study recommended that management of banks and the national bank of Kenya specifically to adjust dividends policy gradually with the needs of shareholders; in order to improve the market capitalization of shares.

[42] studied the effect of financial ratios on the share price of the industry and services sector. The study sample is 12 financial ratios. The study used (Stepwise) method for the analysis. The analysis showed that ROA, ROE and the net price ratio were the most influential on the share price of the industrial sector, while ROA, ROE, P / E and EPS have the most impact on the market price of the services sector.

[4] studied the effect of internal variables on the companies such as size of company, return on assets, return on shareholders' equity, earnings per share,

book value, price to profit ratio, price to book value ratio, and the financial leverage on the share price. The results showed that the variables; size of the company (measured by assets), return on assets, financial leverage, profit per share, book value, and price to book value ratio are statistically significant to the market price.

#### **Return on Equity**

[7] carried out a study on shareholders' wealth and debt- equity mix of quoted companies in Nigeria. The study was based on a panel data set from 1997 to 2011 comprising sixty non - financial companies. The study specified two panel regression models. The study found out that there is a significant negative relationship between shareholders' wealth and debt-equity mix of quoted companies in Nigeria.

[12] discussed about the implications of the incentive scheme for chief executives on the total shareholder returns (TSR) in 'Australia'. The study revealed that most of the world's leading companies from the late 1980s to the early 2000s have not managed TSR above its cost of equity for 12 consecutive years.

[23] examined the correlation between economic value added and market value added of 582 US companies for the period 1983-1997. It was shown that for 296 firms in the sample the changes in the NOPAT had higher correlation with changes in market value added than the economic value added, while for 210 sample firms the correlation between economic value added and market value added was negative.

[43] studied information content of economic value added of Australian companies using pooled time-series, cross-sectional data over the period 1992-1998. The study found out that stock returns were closely associated with economic value added than residual income, earnings and net cash flow.

[46] conducted a study on economic value added -market value added relationship of 89 Industrial firms of South Africa and found that economic value added did not show the strongest correlation with market value added.

[12] analyzed the influence of financial leverage decisions, dividend payout policies and the ownership structure on the firm market value when companies either face, or do not face, profitable growth opportunities. A sample of 101 large non-financial publicly-traded Spanish companies was used. The results confirmed the relevance of debt and dividends in terms of firm value creation by showing a negative relationship between firm value and both leverage and dividend payments in the presence of growth opportunities. On the contrary, this relationship turns out to be positive when firms have no profitable investment projects. The results also demonstrated the relevance of ownership structure in the allocation of firm resources.

[5] in their study of 'Greek' firms concluded that "relative information content tests reveal that net and operating income appear to be more valuable than economic value added. Economic value added components add only marginal information content as compared to accounting profit.

[29] provided evidence regarding economic value added and company performance in Malaysia. The study sought to explain the ability of economic value added, compared to traditional tools, in measuring performance under various economic conditions. The study revealed that economic value added is also able to correlate with stock returns and is superior in explaining the variations in the stock returns as compared with traditional tools under varying economic conditions.

[34] explained the concept of value from the perspectives of stakeholders and shareholders. Using a case-based approach they illustrated different methods of computing shareholder value.

[27], however, introduced 'Refined' economic value added (REVA) to the 'hospitality' industry and compared it to economic value added, market value added and other traditional accounting measures. The study provided interesting and meaningful findings that "REVA and market value added can be considered good performance measures throughout the three hospitality sectors (i.e., hotel,

restaurant and casino). According to the findings, REVA and market value added significantly explain the market-adjusted return by presenting positive coefficients.

[45] examined the value-added of the Science Park industries in 'Taiwan' through the market perspective, using the balanced score-card approach. Panel data, with the yearly data, from 2000 to 2009 were applied in the study. The study showed that only five years after industries being stationed in the science parks were able to highlight their economic benefits, with operating margin, sales growth, research and development efficiency and employee productivity as the key internal factors in promoting the value-added of the science parks.

[7] carried out a study on the effects of Asian financial crisis on Thailand, by focusing on the factors that affect the value creation of organizations. Secondary data was examined in order to construct a proposed model based on previous studies. Their findings state that factors affecting the organizational value creation have positive direct effect on corporate social responsibility, corporate governance and innovative organization.

[12] carried out a study on wealth or value creation by 53 companies, listed on the South-African Securities Exchange. The study used economic value added and market value added as wealth proxies. The seven sub-sectors in the basic resources mining industry were represented in the sample selection. The results indicated that mining companies have created significant wealth for investors during the study period.

[34] in their study attempted to answer the question: whether the companies listed in 'Tehran' Stock Exchange, value-added measures can be used instead of accounting standards? A total of 76 companies were studied during the six-year period 2006 to 2011. Their research results indicated that there is not a significant relationship between REVA and cash value added (CVA), with return on assets and return on equity, while there is negative and weak relationship between shareholders' value-added with accounting measures.

[12] studied the relationship between EVA, ROA, ROE and CAR as explanatory variables for stock returns. The study sample consisted of 15 banks listed in Amman Stock Exchange during the period 2000-2009. The study used multiple-pooled regression model to test this relationship. The results showed positive and significant relationship between EVA and stock returns, but insignificant relationship between ROA, ROE and CAR with stock returns.

Some of the authors whose works were reviewed empirically had focused on limited analytical techniques, for instance, [18] studied the effect of financial ratios on the share price of the industry and services sector using (Stepwise) method for the analysis, [4] studied the effect of internal variables on the companies such as size of company, return on assets, return on shareholders' equity, earnings per share, book value, price to profit ratio, price to book value ratio, and the financial leverage on the share price using OLS, [45] carried out a

study on shareholders' wealth and debt-equity mix of quoted companies in Nigeria using panel regression model, [4] discussed about the implications of the incentive scheme for chief executives on the total shareholder returns (TSR) in 'Australia' using regression analysis but this study on the predictability of shareholders wealth through financial ratio analysis in Nigeria Brewery industry is set to use Hausman Test to determine a better model between fixed and random panel regression model after which fixed or random effect panel regression model will be carried out depending on the result of the Hausman Test. Descriptive statistics will equally be carried out to ascertain the individual characteristics of the variables while unit root test will be studied to determine the stationarity properties of the variables. This study will arrive at an improved result as a result of different analytical techniques that were adopted in the analysis thereby filling the gaps left by the authors whose works were reviewed empirically.

## METHODOLOGY

### Research Design

The researcher will adopt *ex-post facto* research design. The choice of the *ex-post facto* design is because the research relied on already recorded events.

### Area of Study

The area of study is Nigeria. This study is on the predictability of shareholders wealth through financial ratio analysis in Nigeria brewery industry.

### Population of the Study

The population of the study consists of the nine (9) quoted Brewery companies in Nigeria. They are listed in the appendix of the study.

### Sample Size Determination

The sample size consists of three (3) quoted Brewery companies in Nigeria namely; Guinness Nigeria Plc, Nigeria Breweries Plc and Champion Breweries Plc. These companies were selected for this study because they are all quoted in Nigerian stock market and the data for the duration of time under study are readily available in their annual report. The sample study was selected with the aid of judgmental sampling.

### Sources of Data

This study made use of secondary data covering a period of 10 years i.e. 2009 - 2018, which were obtained from the financial statement of the selected companies.

### Model Specification

The main aim of this study is to examine the predictability of shareholders wealth through financial ratio analysis in Nigeria Brewery industry. The model is specified as follows:

$$PFY = f(\text{EPS}, \text{DPS}, \text{ROE})$$

Where:

PFY = Profit for the year

EPS = Earnings Per Share

DPS = Dividends Per Share

ROE = Return on Equity

In a linear regression form, it will become:

$$PFY_i = \beta_0 + \beta_1 EPS_i + \beta_2 DPS_i + \beta_3 ROE_i + \mu \dots(2)$$

$\beta_0$  = Constant Term

$\beta_1$  = Coefficient of Earnings per Share

$\beta_2$  = Coefficient of Dividend Per Share

$\beta_3$  = Coefficient of Return on Equity

$\mu$  = Error Term

## Description of Variables

### Independent Variables

#### Earnings Per Share (EPS):

Earnings per share (EPS) are the portion of a company's profit allocated to each share of common stock. Earnings per share serve as an indicator of a company's profitability.

#### Dividends Per Share (DPS):

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding [23]. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time by the number of outstanding ordinary shares issued. A company's DPS is often derived using the dividend paid in the most recent quarter, which is also used to calculate the dividend yield.

#### Return on Equity (ROE):

The return on equity (ROE) is a measure of the profitability of a business in relation to the book value of shareholder equity, also known as net assets or assets minus liabilities. ROE is a measure of how well a

company uses investments to generate earnings growth.

ROE is equal to a fiscal year net income (after preferred stock dividends, before common stock dividends), divided by total equity (excluding preferred shares), expressed as a percentage.

[8], states that ROE is especially used for comparing the performance of companies in the same industry.

### Dependent Variable

#### Profit for the year:

The *profit for the year* is a liquidity *ratio* that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the *current* assets on its statement of Financial position to satisfy its *current* debt and other payables.

### Method of Data Analysis

Panel data covering a period of 10 years were estimated using descriptive statistics, unit root test and either fixed or random effect panel regression model depending on the result of the Hausman Test that was equally be carried out in the study.

## DATA PRESENTATION AND ANALYSIS

### Data Presentation

Data for the study, sourced from the annual report of the selected companies were presented, tested and analyzed. The data collected were organized and used for testing the hypotheses. From the

analysis and results generated, deductions and logical conclusions were obtained.

The abbreviations used to signify the variables of study in all the tables are shown in the appendix.

**Table 1:** Table showing the data of Champion Breweries Plc

YEAR	EPS	ROE	DPS	PFY
2009	1.82	0.240295	4.93	10218
2010	0.92	0.417756	5.34	16719
2011	1.55	0.788294	5.1	29051
2012	1.11	0.71951	6.33	42981
2013	1.82	0.762296	5.98	31532
2014	0.68	0.781254	7.25	92212
2015	2.21	0.756209	8.04	101347
2016	0.57	0.748554	9.18	115261
2017	0.09	0.770127	9.31	120555
2018	1.07	0.840453	12.16	142617

Source: Financial Statement of Champion Brewery Plc

**NB:**

ROE: Return on Equity

EPS: Earnings per Share

DPS: Dividend per Share

PFY: Profit for the Year

Table 1 showed the data comprising of return on equity, earnings per share, dividend per share and profit for the year for Champion Brewery Plc.

**Table 2:** Table showing the data of Guinness Breweries Plc

YEAR	EPS	ROE	DPS	PFY	
2009		1.07	0.240295	9.95	11371
2010		1.92	0.417756	7.93	21532
2011		1.06	0.788294	6.36	49698
2012		0.61	0.71951	5.18	40135
2013		0.16	0.762296	1.34	61701
2014		0.98	0.781254	2.82	79541
2015		2.6	0.756209	3.99	91071
2016		0.44	0.748554	3.21	101221
2017		1.54	0.770127	5.38	115027
2018		1.23	0.840453	4.19	135344

Source: Financial Statement of Guinness Nigeria Plc

Table 2 showed the data comprising of return on equity, earnings per share, dividend per share and profit for the year for Guinness Nigeria Plc.

**Table 3:** Table showing the data of Nigeria Breweries Plc

YEAR	EPS	ROE	DPS	PFY	
2009		0.61	0.243707	3.46	9517
2010		0.25	0.497756	4.5	21623
2011		0.4	0.649113	12.8	37052
2012		0.17	0.609208	7.5	51631
2013		0.26	0.63703	8.25	44931
2014		1.49	0.617758	10	61234
2015		0.5	0.817784	8	94073
2016		1.32	0.798587	7	101621
2017		0.65	0.817474	3.2	115093
2018		0.65	0.796137	3.2	121871

Source: Financial Statement of Nigeria Brewery Plc

Table 3 showed the data comprising of return on equity, earnings per share, dividend per share and profit for the year for Nigeria Breweries Plc.

#### Data Analysis

Data analysis depicts how the data collected for each of the companies are analyzed with diverse analytical tools.

#### Descriptive Analysis

**Table 4: Description of the Characteristics of the Variables under Study for the pooled data of Champion Breweries Plc, Guinness Nigeria Plc and Nigeria Breweries Plc**

	Skewness	Kurtosis	Jarque-Bera Stat.	Prob.
EPS	-0.332303	1.590401	4.148979	0.125621
DPS	-0.259068	2.538895	0.821849	0.663037
ROE	-0.326533	2.004003	2.423281	0.297708
PAT	-0.622695	2.273218	3.118810	0.210261

Source: Author's Computation from Eviews 9.0



Table 4 contains the description of the variables using normality test which comprises of Skewness, Kurtosis and Jarque - Bera Statistics. The table showed that all the variables were negatively skewed relative to normal and are also platykurtic as their kurtosis values are less than three (3). The table also showed that all the variables are not normally distributed as the probability values of their Jarque-Bera statistics are greater than 0.05 but this does not discredit the

use of these variables as they will further be subjected to other advanced statistical techniques.

#### Unit Root Test

This test tries to examine the property of the variables. It is used to check for the presence of a unit root i.e. whether the variables are stationary. This test is carried out using the Augmented Dickey Fuller (ADF) test. The ADF is carried out using E-views software package and the results from the test are tabulated below:

**Table 5: Pooled Unit Root Test for Champion Breweries Plc, Guinness Nigeria Plc and Nigeria Breweries Plc**

!	LLC		ADF - FISHER		PP - FISHER	
	Test Stat.	Order of integration	Test Stat.	Order of integration	Test Stat.	Order of integration
<b>EPS</b>	-3.79 (0.0001 < 0.05)	I(I)	18.57 (0.049 < 0.05)	I(I)	53.50 (0.0000 < 0.05)	I(I)
<b>DPS</b>	-3.56 (0.0002 < 0.05)	I(I)	-	-	19.24 (0.0038 < 0.05)	I(I)
<b>ROE</b>	-2.86 (0.0021 < 0.05)	I(I)	15.80 (0.0149 < 0.05)	I(I)	36.45 (0.0000 < 0.05)	I(I)
<b>PAT</b>	-2.67 (0.0038 < 0.05)	I(I)	13.05 (0.0423 < 0.05)	I(I)	15.01 (0.0202 < 0.05)	I(I)

Source: Author's Compilation from Eviews 9

LLC = Levin, Lin and Chu Test

IPS = Im, Pesaran and Shin W - Stat

ADF FISHER = Augmented Dickey Fuller Fisher Chi - Square Test

PP FISHER = Philip Peron Fisher Chi - Square Test

Table 2 showed that all the variables are integrated of order one or are stationary at first difference.

#### 4.5 Test of Hypotheses

The test of hypothesis was carried out as follows:

Step 1: Re-statement of the hypothesis in the null and alternate forms

Step 2: Statement of decision criteria

Step 3: Presentation of test result

Step 4: Decision

#### Test of Hypothesis one

##### Step 1: Restatement of the hypothesis.

Earnings per share do not have significant effect on the profit for the year of Brewery industry in Nigeria.

##### Step 2: Statement of Decision Criteria

Reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $<0.05$ .

Step 3: Presentation of test result

**Table 6: Test of Hypothesis One**

Dependent Variable: PAT				
Method: Least Squares				
Date: 10/22/19 Time: 07:50				
Sample (adjusted): 4 41				
Included observations: 31 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.86157	1.793959	-6.054526	0.0000
EPS	0.673054	0.459769	3.463897	0.0052
R-squared	0.952576	Mean dependent var		16.03989
Adjusted R-squared	0.945280	S.D. dependent var		2.344373
S.E. of regression	0.548403	Akaike info criterion		1.783077
Sum squared resid	7.819388	Schwarz criterion		2.014365
Log likelihood	-22.63769	Hannan-Quinn criter.		1.858471
F-statistic	130.5614	Durbin-Watson stat		0.612524
Prob(F-statistic)	0.000000			

Source: Author's Computation from E-View 9.0

#### Step 4: Decision

Given the decision criteria to reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $< 0.05$ . Table 4.4.1 shows the t-statistics of EPS as  $3.463897 > 2.5$  with a probability of the t-statistics of  $0.0052 < 0.05$ . We reject the null hypothesis ( $H_0$ ) and conclude that earnings per share have significant effect

on the profit for the year of Brewery industry in Nigeria.

#### Test of Hypothesis Two

##### Step 1: Restatement of the hypothesis.

Dividends per share do not have significant effect on the profit for the year of Brewery industry in Nigeria.

##### Step 2: Statement of Decision Criteria

Reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $<0.05$ .

## Step 3: Presentation of test result

**Table 7: Test of Hypothesis Two**

Dependent Variable: PAT				
Method: Least Squares				
Date: 10/22/19 Time: 07:50				
Sample (adjusted): 4 41				
Included observations: 31 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.86157	1.793959	-6.054526	0.0000
DPS	0.011666	0.393500	4.029646	0.0066
R-squared	0.952576	Mean dependent var		16.03989
Adjusted R-squared	0.945280	S.D. dependent var		2.344373
S.E. of regression	0.548403	Akaike info criterion		1.783077
Sum squared resid	7.819388	Schwarz criterion		2.014365
Log likelihood	-22.63769	Hannan-Quinn criter.		1.858471
F-statistic	130.5614	Durbin-Watson stat		0.612524
Prob(F-statistic)	0.000000			

Source: Author's Computation from E-View 9.0

**Step 4: Decision**

Given the decision criteria to reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $< 0.05$ . Table 4.4.1 shows the t-statistics of DPS as 4.029646  $<2.5$  with a probability of the t-statistics of  $0.0066 > 0.05$ . We accept the null hypothesis ( $H_0$ ) and conclude that Dividends per share have significant effect on the profit for the year of Brewery industry in Nigeria.

**Test of Hypothesis Three****Step 1: Restatement of the hypothesis.**

Return on equity does not significantly affect the profit for the year of Brewery industry in Nigeria.

**Step 2: Statement of Decision Criteria**

Reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $<0.05$ .

Step 3: Presentation of test result

**Table 8: Test of Hypothesis One**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.86157	1.793959	-6.054526	0.0000
ROE	0.965413	0.480457	2.909365	0.0450
R-squared	0.952576	Mean dependent var		16.03989
Adjusted R-squared	0.945280	S.D. dependent var		2.344373
S.E. of regression	0.548403	Akaike info criterion		1.783077
Sum squared resid	7.819388	Schwarz criterion		2.014365
Log likelihood	-22.63769	Hannan-Quinn criter.		1.858471
F-statistic	130.5614	Durbin-Watson stat		0.612524
Prob(F-statistic)	0.000000			

Source: Author's Computation from E-View 9.0

#### Step 4: Decision

Given the decision criteria to reject  $H_0$  if the t-statistics is  $>2.5$  and the probability of the t-statistics is  $< 0.05$ . Table 4.4.1 shows the t-statistics of LTA as 2.909365  $>2.5$  with a probability of the t-statistics of  $0.0450 < 0.05$ . We accept the null hypothesis ( $H_0$ ) and conclude that return on equity significantly affect the profit for the year of Brewery industry in Nigeria.

#### Discussion of Result

The following results were generated from the analysis of study;

#### Discussion of Hypothesis One

Earnings per share have significant effect on the profit for the year of Brewery industry in Nigeria based on the premise

that the t-statistics of EPS which was 3.463897 was greater than 2.5 while the probability of the t-statistics of 0.0052 was less than 0.05.

#### Discussion of Hypothesis Two

Dividends per share has significant effect on the profit for the year of Brewery industry in Nigeria due to the fact that the t-statistics of DPS which was 4.029646 was greater than 2.5 while the probability value being 0.0066 was less than 0.05.

#### Discussion of Hypothesis Three

Return on equity significantly affect the profit for the year of Brewery industry in Nigeria as the t-statistics of ROE which was 2.909365 was greater than 2.5 while the probability of the t-statistics of 0.0450 was less than 0.05.

#### SUMMARY OF FINDINGS

The summary of findings for this study includes the following:

1. Earnings per share have significant effect on the profit for the year of Brewery industry in Nigeria.
2. Dividends per share have significant effect on the profit for

the year of Brewery industry in Nigeria.

3. Return on equity significantly affects the profit for the year of Brewery industry in Nigeria

## CONCLUSION

Earnings per share, dividend per share and return on equity have significant affect the profit for the year of Brewery industry in Nigeria. This conclusion is in agreement with the statement of [8] who studied Effect of capital structure on retained earnings in the oil and gas sector. They observed that retained Earnings is strongly and positively

determined by borrowing; that Share Capital positively effects Retained Earnings; and that Retained Earnings had significant effect on debt and share capital over the period of study. It was also concluded that return on equity does not have significant effect on retained earnings of firms in brewery industry in Nigeria.

## RECOMMENDATIONS

The following recommendations are made for the study:

1. The management should endeavor to improve productivity and reduce cost and also try as much as possible to reduce asset base.

2. The companies should maintain their current liquidity position in order to enable them have good working capital for them to continue operating in line with the going concern concept of accounting.

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## APPENDIX

YEAR	COMPANY	EPS	ROE	DPS	PAT	TA
2009	CHAMPION	1.82	0.240295	4.93	10218	49813
2010	CHAMPION	0.92	0.417756	5.34	16719	51624
2011	CHAMPION	1.55	0.788294	5.1	29051	58071
2012	CHAMPION	1.11	0.71951	6.33	42981	71784
2013	CHAMPION	1.82	0.762296	5.98	31532	92511
2014	CHAMPION	0.68	0.781254	7.25	92212	110222
2015	CHAMPION	2.21	0.756209	8.04	101347	134156
2016	CHAMPION	0.57	0.748554	9.18	115261	140578
2017	CHAMPION	0.09	0.770127	9.31	120555	151032
2018	CHAMPION	1.07	0.840453	12.16	142617	188293
2009	GUINNESS	1.07	0.240295	9.95	11371	47321
2010	GUINNESS	1.92	0.417756	7.93	21532	51542
2011	GUINNESS	1.06	0.788294	6.36	49698	63045
2012	GUINNESS	0.61	0.71951	5.18	40135	55781
2013	GUINNESS	0.16	0.762296	1.34	61701	80941
2014	GUINNESS	0.98	0.781254	2.82	79541	101812
2015	GUINNESS	2.6	0.756209	3.99	91071	120431
2016	GUINNESS	0.44	0.748554	3.21	101221	135222
2017	GUINNESS	1.54	0.770127	5.38	115027	149361
2018	GUINNESS	1.23	0.840453	4.19	135344	161037
2009	NB PLC	0.61	0.243707	3.46	9517	39.051
2010	NB PLC	0.25	0.497756	4.5	21623	43441
2011	NB PLC	0.4	0.649113	12.8	37052	57081
2012	NB PLC	0.17	0.609208	7.5	51631	84751
2013	NB PLC	0.26	0.63703	8.25	44931	70532
2014	NB PLC	1.49	0.617758	10	61234	99123
2015	NB PLC	0.5	0.817784	8	94073	115034
2016	NB PLC	1.32	0.798587	7	101621	127251
2017	NB PLC	0.65	0.817474	3.2	115093	140791
2018	NB PLC	0.65	0.796137	3.2	121871	153078

Source: Financial Statement of the Selected Companies