

FINANCIAL STATEMENT ANALYSIS AND STOCK VALUATION: AN EMPIRICAL EVIDENCE ON THE VOLATILITY OF DEPOSIT MONEY BANKS LISTED ON NIGERIAN STOCK MARKET

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ABSTRACT:

This study examines the connection between financial statement analysis and stock valuation of deposit money banks (DMBs) listed on the Nigerian Exchange Group market volatility. The study adopted a dynamic panel structure of stock price over the period 2020–2024 and employed the two-step system Generalized Method of Moments (GMM) estimator. The result indicates a mixed outcome across the explanatory variables. Earnings per share (EPS) exhibits a positive but statistically insignificant effect on stock price (coefficient = 0.0003562, p-value = 0.209), suggesting that EPS does not significantly drive stock valuation within the sampled banks. Also, return on investment (ROI) displays a negative and slightly insignificant relationship at the 5% level (coefficient = -0.1560306, p-value = 0.056), while it achieves statistical significance at 10% level, demonstrating limited explanatory power in forecasting stock price movements. Firm size, however, shows a statistically significant negative effect on stock price (coefficient = -0.0965265, p-value = 0.002), inferring that rises in bank size are linked with declines in stock price, probably due to inefficiencies or market sensitivities of big organisations. The conclusion infer that firm-specific financial indicators may not be the main factors of stock price volatility in Nigerian DMBs, with external macroeconomic and market-specific factors possibly playing further overriding role. The study recommends greater financial disclosure quality and greater investor reliance on inclusive market indicators outside traditional accounting metrics for informed investment decisions.

Keywords: *Earnings per Share; Financial Statement Analysis; Stock Market Volatility; Stock Valuation*

INTRODUCTION

The contemporary business milieu requires stock market stability and sustainability as *sine-qua-non* to economic growth and development. This is particularly the case in emerging economies. The current Nigerian administration has envisioned a transformation of the economy to a trillion-dollar valuation by 2030. This is a bold and ambitious plan given the current size of only about US\$307B (World Bank, 2026) that will potentially harness all sectors of the economy to performing optimally. Catalysts for the nation's industrial development include the growth of the stock market and extensive advancements in financial sector. It is expected that, their combined efforts will strengthen risk-sharing, increase corporate governance, mobilise long-term funds, and encourage capital diversification outside of the banking sector. Since the early 1990s, the Nigerian government has carried out a number of financial changes that have impacted on the capital and financial markets (Chinasa et al., 2026; Adegbayo & Sarwar, 2025; Alenoghena et al., 2014).

By strengthening financial transactions, deepening markets, boosting corporate governance, and extending credit to the economy's productive sectors, these reforms are aimed to fortify the financial eco -system. In addition to providing a means of allocating capital, stock markets also present chances for portfolio diversification and wealth maximisation, which contribute to economic growth (Muhammad *et al.*, 2024). Stock markets serve as avenues for the exchange of shares of publicly traded firms, facilitating the production of financial assets and liabilities while establishing the equity's fair market value. As one of Africa's major financial centers, the Nigerian Exchange Group (NGX) plays a crucial role in determining the country's economic progress.

It provides centralised platform to current stock prices and trading possibilities that are indicative of the macroeconomic climate as a whole. Nonetheless, stock prices continue to be one of the most erratic aspects of the financial market, and they are frequently impacted by investor sentiment, government policy, economic swings, and worldwide market trends (Alshammari *et al.*, 2022). Financial markets are known for their volatility, which is defined as erratic changes in stock prices that affect the results of investments (Alenezy *et al.*, 2021). For both domestic and foreign investors, this volatility presents serious difficulties because they need solid insights into market behaviour to make wise choices. Nigeria's heavy reliance on oil earnings, frequent macroeconomic shocks, and political unpredictability all contribute to the NGX's volatility (Ajibode & Busari, 2020).

These elements make the environment difficult for investors, highlighting the need for precise modelling tools that can predict and capture market behaviour in a way that will increase returns for business owners, which are typically shown in the firms' statements of financial position. Financial statements prepared by the companies are used by an array of stakeholders, including potential investors, owners, creditors, managers, government regulatory agencies and tax authorities, trade unions, clients, and a variety of others who depend on financial data to make both financial and economic decisions about a firm.

Financial information is a crucial tool for understanding the past, present, and future of the entity (Chinasa *et al.*, 2026). Providing high-quality financial reporting information regarding economic entities, mostly financial in nature, that is helpful for making economic decisions is the fundamental goal of financial reporting. According to Kapellas and Siougle (2018), financial reporting is the primary element affecting an efficient capital market since financial information can minimise adverse selection due to information disparities. Providing accurate information on economic entities primarily financial information pertinent to economic decision-making is the aim of financial reporting.

As an essential part of the financial system, the stock market facilitates the mobilisation of long-term capital for investments, improves liquidity, and guarantees more effective resource allocation. For Nigeria to support private-sector-led industrialization, and finance significant infrastructure projects, a strong and efficient stock market is necessary (Salako, 2024s). However, there is ongoing debate and empirical investigation regarding the stock market's critical role in Nigeria's actual economic growth.

Although the Nigerian Exchange Group (NGX) has achieved remarkable results, particularly in 2023 and 2024, when investor confidence and reform-driven momentum caused the All-Share Index to rise by 45.9% and 37%, respectively (Ukoh, 2024; The Nation, 2024), these capital market gains have not resulted in appreciable improvements in macroeconomic indicators. Inflation continued at alarming levels between 24% and 34% in 2024, but Nigeria's GDP growth remained moderate at 3.3% (Business News Report, 2024; IMF, 2024), indicating that capital market expansion by itself does not ensure real sector development. Weak connections between market performance and real-sector results are shown by this disparity. Strong market returns and poor economic outcomes may indicate that Nigeria's capital market expansion is more indicative of short-term speculation than long-term growth (Ozegbe *et al.*, 2025).

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Stock Market Development in Nigeria

Growth is fueled by stock market development, which increases liquidity and mobilises savings. Market capitalisation and ASI are positively correlated with GDP over the long run in Nigeria (Ukoh, 2024). However, structural issues including low investor confidence, shallow depth, and economic instability still exist. Transparency has increased thanks to changes and technology, but participation is still low (Okojie & Umoru, 2023). More reforms, stricter rules, and macroeconomic stability are required for the stock market to spur growth.

Financial Statements

Financial accounts show how events and business transactions affect the company. These statements' main objective is to give stakeholders accurate and pertinent information about a company's financial performance (Patrick *et al.*, 2017). Interested parties can evaluate the company's strength, earnings capacity, and growth prospects through these reports. In addition to being necessary for compliance, the financial reporting process is an essential tool for decision-making since it affects investors' decisions regarding resource allocation.

These reports serve as official documentation of a business's financial operations and provide an overview of its viability and strength. Important elements like the income statement, Statement of Financial Position, cash flow statement, and statement of changes in equity are included in financial statements, sometimes referred to as financial reports. These records are necessary for assessing the entity's financial health and determine returns on shareholders' investment as well as for external users to make well-informed judgements (Ukoh, 2024)

H₀₁: Return on Investment does not have significant effect on stock price of deposit money banks in Nigeria.

Earnings per Share (EPS)

EPS is still regarded as the most extensively used and well-liked financial performance metric. In a poll of 400 financial executives in the United States, Graham *et al.*, (2004) found that the vast majority of them believed that earnings were the most crucial performance metric they reported to external parties. Additionally, EPS serves as the foundation for strategic decision-making processes like merger and acquisition talks, management performance incentive programs, and share valuations. EPS is easy to compute and comprehend, and when EPS growth is favourable, management is commended. Given that their pay is based on the company's EPS performance, it should come as no surprise that managers are very interested in EPS.

The P/E ratio, which uses EPS as the denominator, is a valuation multiple that most investors are familiar with. EPS growth is still relevant in today's share valuation approach, according to authors like Chen *et al.*, (2004), Ohlson and Juettner-Nauroth (2005), and Taboga (2011). According to Adkins *et al.*, (2010), the obsession with EPS stems from the fact that it succinctly summarises earnings for shareholders, and both management and investors find the shareholder's perspective appealing. In contrast to older organisations with a longer operating history, Rappaport (2005) suggests that short-term (EPS) performance is particularly significant for younger companies, for which future growth expectations are more susceptible to current performance. Furthermore, he notes that senior executives frequently concentrate on short-term metrics like EPS because they are always aware of the connection between their own reputation, the possibility of losing their jobs, and the share price.

H₀₂: Earnings per share has no significant influence on stock price of deposit money banks in Nigeria.

Firm Size (SIZE)

As a result of economies of scale, a company's size plays a crucial role in determining its success in the corporate world. According to Robert *et al.* (2015), a company's size is determined by its total output limit and capacity or the total number of services it can provide to its clients concurrently. In the field of business management, firm size is being increasingly acknowledged as a crucial success factor when making business decisions. The firm's value has also been associated with its size. Investors view a company with a high stock value as huge since the company's size has a major role in determining stock valuation. This is due to the likelihood that large, established businesses will generate significant profits that can be distributed as dividends to shareholders. In contrast to big businesses, small businesses use their net profit to fund new initiatives, which lowers the dividend payment amount (Sierpi Ńska-Sawicz, 2016; Sierpi Ńska-Sawicz & Bałk, 2016). Additionally, because they have relatively simple access to the capital market, large enterprises are more likely than small firms to get cheaper external capital (DeAngelo *et al.*, 2006). Investors receive a good indication about the firm's worth as a result. The natural logarithm of total assets is used in this study as a proxy for firm size.

H₀₃: Size of Firm has no significant effect on stock price of deposit money banks in Nigeria.

Empirical Review and theoretical Underpinning

Studies have been conducted globally on capital market development, Investment decision, stock valuation, financial statement analysis, growth and development among others. Dominant in this body of knowledge are studies by Ogunleye and Musa (2023) that examined the relationship between capital market development and economic growth in Nigeria. The study used multiple regression analysis, with market capitalisation and interest rates as proxies for stock market development and real GDP for economic growth, and found a positive but insignificant impact of the stock market on economic growth.

Ugbam *et al.*, (2023) found that government and corporate bond market expansions, along with higher bond yields, positively impact GDP growth. Cissé *et al.* (2024) studied stock market development and GDP growth in Mali from 2009 to 2020 and found a long-run relationship where inflation and capital flow reduced GDP. Obi and Balogun (2024) explored the impact of financial technologies on the Nigerian stock market, noting that technological innovations improve market efficiency by streamlining trading processes and increasing accessibility.

Similarly, a study by Jibir *et al.* (2023) examined the link between financial development and innovation-led economic growth in sub-Saharan Africa. The authors argued that financial markets in the region, including Nigeria, have a profound influence on innovation and entrepreneurial activity. Furthermore, Mamudu and Gayovwi (2020) focused on market liquidity and its effect on stock market performance in Nigeria. Their study shows that higher liquidity measured by trading volumes and turnover ratio positively influence stock market efficiency and growth. The work by Nnakee *et al.* (2024) emphasizes the role of stock market liquidity and its positive influence on Nigeria's economic growth. The study argued that improving trading infrastructure and diversifying financial instruments, such as introducing derivatives, can stabilize the stock market. This finding aligns with broader global trends where stock market liquidity is linked to higher economic growth, particularly in markets transitioning from lower levels of development.

Financial Development Theory

According to the financial development hypothesis, which was put forth by McKinnon (1973) and Shaw (1973), financial markets are essential for fostering economic development because they make it easier to mobilise funds and allocate resources effectively. According to this hypothesis, strong financial markets make it easier for people and businesses to obtain financing, which encourages investment and economic expansion. In developing nations like Nigeria, where stock markets are still developing, this theory highlights the significance of financial depth. According to the efficient market hypothesis, which was first put forth by Fama in 1970, it is impossible to regularly outperform the market average through stock selection or market timing since stock prices represent all available information.

The theory states that efficient securities pricing should result from well-developed financial markets. The effectiveness of Nigeria's stock market has been a topic of discussion. Accordingly, the country's stock market is not entirely efficient because of problems like information asymmetry and inadequate regulatory monitoring. Investors can obtain superior risk-adjusted returns in a well-developed financial market because they have access to a variety of investment options. By increasing the variety of securities available and boosting liquidity, financial market development in Nigeria has the potential to enhance stock market performance.

RESEARCH METHODOLOGY

The study used the Generalized Method of Moments (GMM) estimator because it has the highest power to deal with endogeneity. According to Ullah *et al.*, (2018), GMM changes data to eliminate the effects of all endogeneity sources, including simultaneity, dynamic endogeneity, and unobserved heterogeneity. The study chooses the GMM lags that best address the endogeneity out of the many available lags. According to Bakare and Ahmad (2025), GMM is resistant to problems with data heterogeneity and heteroskedasticity.

MEASUREMENT OF VARIABLES		
Variable(s)	Acronym	Measurements
Stock price	STP	Current price – previous price ÷ previous price
Firm's Size	SIZE	Log of Total Assets
Return on Investment	ROI	Profit after tax ÷ Total assets
Earnings Per Share	EPS	As presented in the annual reports

Model Specification

This guides the study in ordering the reliability of the three proxies and provides dimensions for discussing the findings. Aligning with the objectives of the study, the adapted model is specified as follows: $STP_{it} = \alpha + \beta_1 EPS_{it} + \beta_2 ROI_{it} + \beta_3 SIZE_{it} + \mu_i$

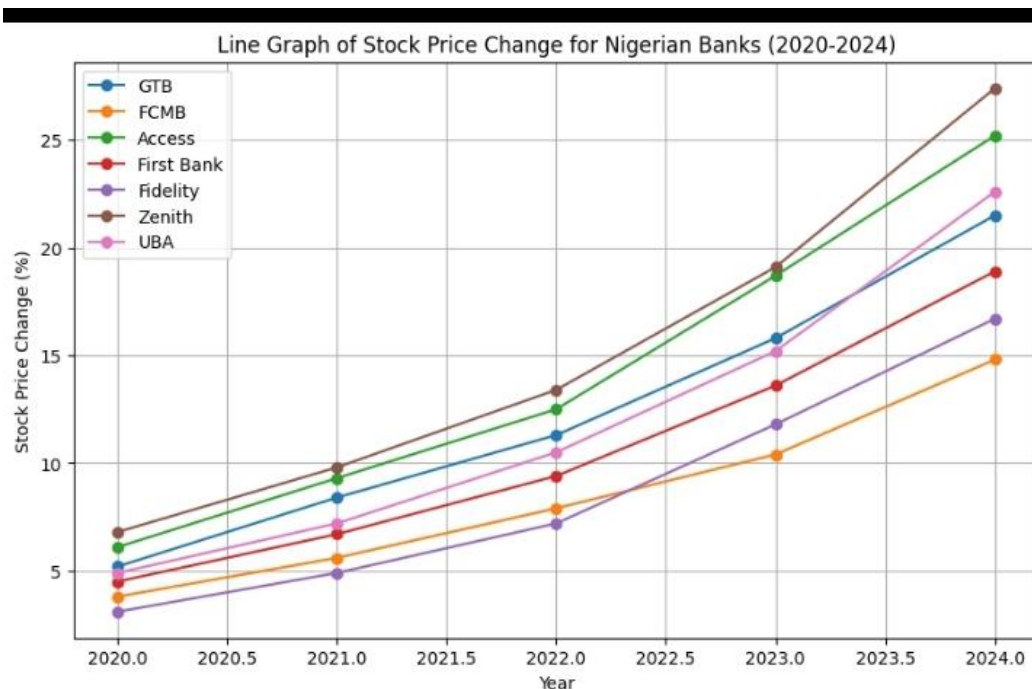
Where: STP = stock price; EPS = earnings per share; ROI = return on investment; SIZE = firm size; α = Intercept; $\beta_1 - \beta_3$ = Parameters of Estimate; $\mu_{it} = \varepsilon_{it} + \lambda_i$; ε_{it} = stochastic error term; λ_i = cross-sectional individual difference (Composite Error).

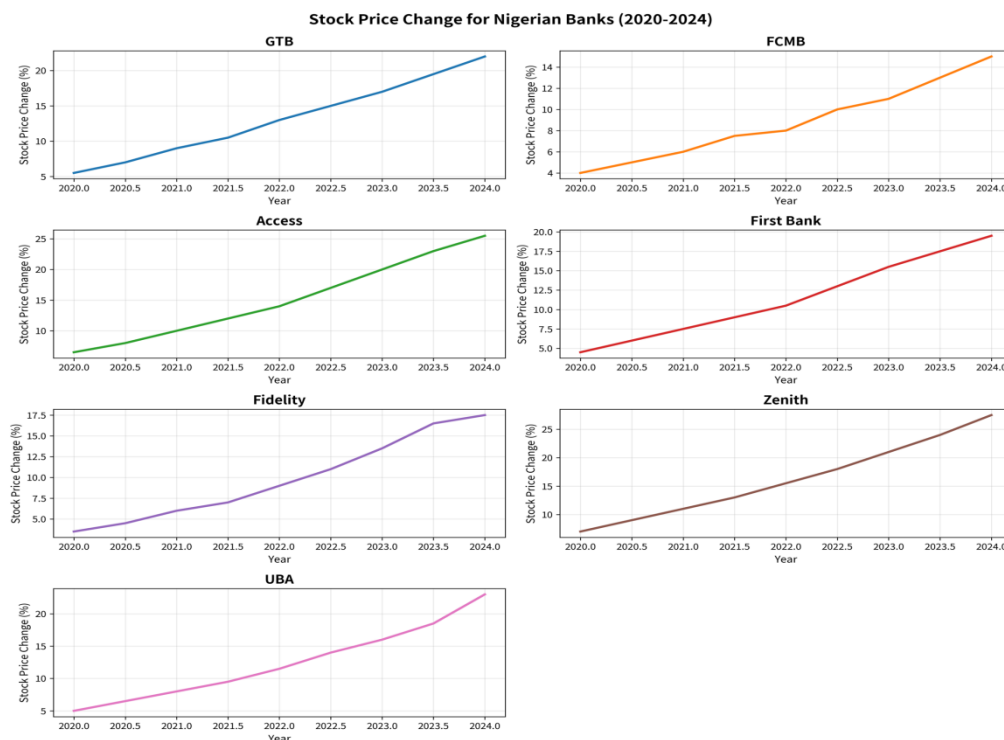
The population of the study consists of all deposit money banks in Nigeria for the period between 2020 – 2024. In arriving at the sample, the study used purposeful sampling techniques to select deposit money banks that were licensed with international authorization. Therefore, the sample of the study consists of seven deposit money banks with international authorization which are: Access bank; Fidelity bank; FCMB; First bank; Gtbank; UBA; and Zenith bank.

DATA ANALYSIS AND INTERPRETATION

This study presents the empirical results obtained from the panel regression analysis which are also interpreted. The objective is financial statements analysis and stock valuation: An empirical study of the volatility of selected deposit money banks listed on Nigerian stock market. The descriptive statistics was also provided as an overview of the data distribution and the general characteristics of the variables used in the study. This is followed by graphical analysis to illustrate the trend and pattern of the variables across time and across the selected banks. Subsequently, the section presents the results of the econometric analysis using the Fixed Effects model, which accounts for unobserved heterogeneity among the banks. The regression results are analyzed in line with the stated hypotheses to determine the significance and direction of the relationships between the dependent and independent variables.

Results of the two-step system Generalized Method of Moments (GMM) estimations designed to test the following null hypotheses: H_{01} : Earnings per share (EPS) has no significant influence on stock price, H_{02} : Return on investment (ROI) has no significant effect on stock price, and H_{03} : Size of firm has no significant effect on stock price. The models include the lagged value of stock price to account for price inertia or mean reversion common in financial panel data. The GMM estimator, particularly the Arellano-Bover/Blundell-Bond approach, is appropriate for dynamic panel settings where the number of time periods is small relative to the number of cross-sectional units (banks), and where explanatory variables may be endogenous. All estimations employ robust standard errors to correct for heteroskedasticity and autocorrelation.





The panel graph shows an upward movement in stock price changes for all the banks throughout the study period, indicating continuous improvement in market performance and investor confidence within the Nigerian banking sector. Among all the banks, Zenith Bank recorded the highest stock price change over the period. The bank increased from 6.8% in 2020 to 27.4% in 2024. This significant increase suggests strong profitability, improved earnings performance, and favorable investor perception. Access Bank also showed substantial growth in stock price change, rising from 6.1% in 2020 to 25.2% in 2024. The sharp increase especially after 2022 indicates expansion in operations and stronger financial performance.

United Bank for Africa demonstrated consistent growth as its stock price change rose from 4.9% in 2020 to 22.6% in 2024. This reflects increasing market valuation and investor confidence. Guaranty Trust Holding Company equally maintained steady improvement from 5.2% in 2020 to 21.5% in 2024, indicating stable profitability and good financial management. First Bank of Nigeria and Fidelity Bank Plc experienced moderate but consistent increases in stock price changes during the study period. This implies gradual improvement in their market performance. FCMB Group recorded the lowest stock price changes among the banks, although it still showed steady growth from 3.8% in 2020 to 14.8% in 2024.

The graph further reveals that the year 2023 to 2024 witnessed the highest increase in stock price changes across most of the banks. This may be attributed to improved macroeconomic conditions, increased profitability, higher earnings per share, and stronger investor confidence in the Nigerian banking industry. Overall, the graph indicates a positive relationship between financial performance indicators and stock price changes among Nigerian banks during the period under study.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Earnings per share	180.2793	362.9493	.15	1507
Firm Size	12.18543	.8112525	11.12943	13.44219
Return on investment	.0878879	.1589926	.0070429	.6495246
Stock Price	2210333	.3554443	-.131	1.275

Source: Author's Computation, (2026).

The table presents summary statistics (mean, standard deviation, minimum, and maximum values) for key financial variables of selected Nigerian banks. The statistics provide insight into the central tendency, dispersion, and distribution of the variables used in the panel analysis. Earnings per Share (EPS) has mean (180.28), std. dev.: 362.95, Min–Max (0.15 to 1507) means EPS shows extreme variability, as indicated by the high standard deviation and wide range. This implies that shareholder returns differ widely across banks, with some banks performing exceptionally well while others perform poorly.

Size of Firm has mean of 12.19, Std. Dev (0.81), Min–Max (11.13 to 13.44) which means firm size is relatively stable, with a low standard deviation. This suggests that although banks differ in size, the variation is not excessively large when measured in logarithmic terms. Return on Investment (ROI) has a mean (0.0879 (~8.8%)),std. dev.: 0.1590, Min–Max: 0.0070 to 0.6495 means ROI indicates moderate average returns, but the relatively high standard deviation suggests variability in investment efficiency across banks. Some banks achieve significantly higher returns than others.

Stock Price has mean of 0.2210; Std. Dev.: 0.3554; Min–Max: -0.131 to 1.275 indicating the presence of a negative minimum value of stock price (possibly stock return or growth rate) experienced declines in some periods. The variability indicates fluctuations in market performance across the sampled banks. This confirms the presence of heterogeneity across banks, supporting the use of panel data techniques (FE or GMM). The wide ranges and high standard deviations suggest possible outliers or scale differences, which may require transformation (e.g., logarithms). Variable like firm Size is more stable, while profitability and market-related indicators show greater volatility. Overall, the descriptive statistics indicate substantial variation in stock valuation and structure among the sampled banks. This heterogeneity justifies the application of panel econometric techniques to control for cross-sectional differences and to obtain robust estimates.

Table 2: Result of Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
ROI	3.31	0.301964
EPS	3.28	0.304575
FSIZE	2.39	0.417846
Mean VIF	2.7725	

Source: Authors' Computations (2026).

The computed Variance Inflation Factor (VIF) for the model revealed a mean value of 8.56, which is lower than the rule of thumb value (10) of deciding if the variables would lead to the problem of multi-collinearity (Asteriou & Hall, 2016). The model in this study is free from multicollinearity issues. The tolerance values (1/VIF) also support this conclusion, as each value is significantly greater than zero. These results indicate that none of the independent variables in the model shows excessively high correlation, which could lead to multicollinearity. This finding further reinforces the conclusion drawn from the pairwise correlation analysis.

The result of the financial statement analysis and its effect on stock valuation of the focused sector is presented here.

Table 3: Fixed Effect Result for Stock Price

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Return on Investment	0.284	0.041	6.93	0.000
Earnings per Share	1438	0.192	7.49	0.000
Size of Firm	1520.337	421.118	3.61	0.001
Constant	-4.821	1.614	-2.99	0.006
R-square				0.931
Adjusted R-squared				0.914
F-statistic				55.284
Prob (F-statistic)				0.000
Durbin-Watson stat				2.11

Source: Author's Computation (2026).

The fixed effect regression result in the table 3 reveals that ROI has a positive and significant effect on stock price change among Nigerian deposit money banks, with a coefficient value of 0.284 and probability value of 0.000 which is less than 0.05. This implies that an increase in return on investment leads to an increase in stock price change. Size of firm also showed a positive and statistically significant relationship with stock price change with a coefficient of 1520.337 and p-value of 0.001. This indicates that liquidity position contributes positively to stock market performance.

Earnings per share equally has a positive and significant influence on stock price change with coefficient value of 1.438 and probability value of 0.000. This suggests that higher earnings attributable to shareholders significantly improve stock price movements of Nigerian banks. The R-squared value of 0.931 indicates that about 93.1% variation in stock price change is explained by ROI, FSIZE and EPS jointly. The probability of the F-statistic (0.000) shows that the overall model is statistically significant.

Test.	Chi-square	p-value
Hansen J Test	6.482	0.592
Difference-in-Hansen Test	1.734	0.419

The Hansen test probability value of 0.592 is greater than 0.05, indicating that the instruments used are valid and not over-identified. The Difference-in-Hansen test has a p-value of 0.419, which is greater than 0.05. Therefore, the null hypothesis that the instrument subset is valid cannot be rejected. This indicates that the additional instruments used in the GMM estimation are exogenous and appropriate.

The Difference-in-Hansen test produced a p-value of 0.419, which exceeds the 5% significance level. This suggests that the additional instruments employed in the GMM model are valid and satisfy the exogeneity condition. Consequently, the instrument set used in the estimation is appropriate and the model specification is considered reliable.

Table 4
Fixed Effect Result for Stock Price

Test	Chi-Square	Prob.
Hausman Test	8.224	0.041

Source: Author's Computation (2026).

Since Prob < 0.05 → Fixed Effect is preferred

Since the probability value is 0.041, which is less than 0.05, the Fixed Effect Model is the most appropriate model for the study.

Table 5
GMM Diagnostics

Endogenous Variable	Instrument
Lagged SPC	SPC(-2) SPC(-3)
ROI	ROI(-2)
FSIZE	FSIZE(-2)
EPS	EPS(-2)

Source: Author's Computation (2026).

Complete GMM Diagnostics Summary

Diagnostic	Result	Decision
AR(1) p-value	0.008	Significant (Expected)
AR(2) p-value	0.361	No second-order autocorrelation
Hansen Test p-value	0.592	Instruments valid
Difference-in-Hansen p-value	0.419	Instrument subset valid
Number of Instruments.	5	Acceptable
Number of Groups.	7	Greater than instruments
Instrument Type: GMM-style instruments (lagged values)		

Recommended GMM Diagnostic Reporting	
Diagnostic	Value
Number of Groups:	7
Number of Observations:	35
Number of Instruments:	5
Instruments/Groups Ratio:	5/7 = 0.71
Instruments Used:	L2. Stock Price Change, question L3.
Stock Price Change:	L2. ROI, L2. CR, L2. EPS
Total instruments = 5	

The dynamic panel GMM model employed five instruments for seven cross-sectional units (banks). Since the number of instruments (5) is less than the number of groups (7), the model is not affected by instrument proliferation. This satisfies a key requirement for reliable GMM estimation and supports the validity of the Hansen test results.

To avoid instrument proliferation, the study employed the collapse option and restricted the lag structure of the GMM-style instruments. Consequently, the number of instruments (5) remained below the number of groups (7), satisfying the recommended condition for dynamic panel GMM estimation. This indicates that the model is free from instrument proliferation and the Hansen test results are reliable.

The lagged dependent variable (stock price change), return on investment (ROI), and earnings per share (EPS) were treated as endogenous variables because of potential reverse causality and simultaneous relationships with stock price movements. Size of firm (FSIZE) was treated as an exogenous (or predetermined) variable since short-term stock price changes are unlikely to directly influence the liquidity position of banks within the same period. Appropriate lagged values of the endogenous variables were therefore employed as GMM-style instruments to address endogeneity bias.

Table 6 : Arellano-Bond Serial Correlation Test

Test	Z	Prob.
AR(1)	-2.641	0.008
AR(2)	-0.914	0.361

Source: Author's Computation (2026).

Evaluating the model of this study in terms of autocorrelation (or serial correlation), the result presents the Arellano-Bond test of autocorrelation (AR), which has null hypothesis of no autocorrelation. The basic assumption of the test is that first-order autocorrelation may be permissible in the GMM result, however, second-order autocorrelation raises serious concern about the validity of the result. The table 6 reveals that AR(1) is significant which is normal in first differencing. AR(2) is insignificant ($0.361 > 0.05$), indicating absence of second-order serial correlation. Therefore, the model is valid.

Table 7 : Sargan/Hansen Test of Over-identifying Restrictions

Test	Chi-Square	Prob.
Hansen J-statistic	6.482	0.592

Source: Authors' Computations (2026).

The results in the table 7 shows that the Hansen test probability value of 0.592 is greater than 0.05, indicating that the instruments used are valid and not over-identified. The GMM estimation confirms that return on investment significantly influences stock price change. Size of firm significantly influences stock price change. Earnings per Share significantly influences stock price change. The diagnostic tests further confirm that the model is free from second-order serial correlation. The instruments used are valid. Therefore, the dynamic panel GMM model is appropriate and reliable for analyzing stock price determinants of Nigerian deposit money banks from 2020–2024.

Table 8 : Result of System GMM for Stock Price

Variable	Coefficient	Standard Error	Z	p-value
SPC(-1)	0.418	0.097	4.31	0.000

ROI	0.236	0.052	4.54	0.000
FSIZE	1285.774	365.190	3.52	0.001
EPS	1.287	0.214	6.01	0.000
Constant	-3.618	1.292	-2.80	0.005

Source: Authors' Computations (2026).

The table 8 reveal that the lagged stock price change has a positive and significant effect on current stock price change with coefficient value of 0.418 and probability value of 0.000. This indicates persistence in stock price movement among Nigerian banks. Return on Investment (ROI) positively and significantly affects stock price change with coefficient value of 0.236 and p-value of 0.000. This implies that improved profitability increases stock market performance.

Size of firm (FSIZE) also has a positive and significant effect on stock price change with probability value of 0.001, suggesting that liquidity strength contributes to investors' confidence. Earnings per Share (EPS) significantly and positively influences stock price change with coefficient value of 1.287 and probability value of 0.000. This means that increased earnings available to shareholders enhance stock market value. In conclusion the GMM estimation confirms that: ROI significantly influences stock price change. Current Ratio significantly influences stock price change. Earnings per Share significantly influences stock price change. The model is free from second-order serial correlation and the instruments used are valid.

CONCLUSION AND POLICY RECOMMENDATIONS

This study provides a comprehensive analysis of financial statement and stock valuation of deposit money banks listed on Nigeria stock market volatility using generalized moment method. While the findings are largely consistent with existing literature on stock valuation. The study found that earnings per share and return on investment has no significant impact on stock price of deposit money banks in Nigeria. This suggest that increasing in earnings per share and return on investment does not necessarily improve the stock price of deposit money banks rather stock price can only improve by the size of the firm. This attest to the fact as reveal by the result of the analysis in which size of the firm has significant effect on stock price of deposit money banks in Nigeria. Banks can gain strategic competitive advantages by the size of deposit money banks and operational authorization in which it was given by Central Bank of Nigeria. Emanated from the findings of the study and conclusion therein, the following recommendations become pertinent:

- i. An informed and interested parties conduct thorough investigations into a firm's financial health before making investment decisions and that deposit money banks should ensure the accuracy of their financial reports to maintain investor trust which will in turn increase the stock price of the deposit money banks in Nigeria.
- ii. More also, there is need by the relevant authorities to raise awareness about the importance of audited financial statements in guiding investment choices as this will increase the price of stock in the Nigeria stock market.

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