VALUE RELEVANCE OF ACCOUNTING INFORMATION: EVIDENCE FROM THE HEALTH CARE SECTOR

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BENIN IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE DEGREE IN ACCOUNTING OF THE ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF UNIVERSITY OF BENIN, BENIN CITY.

APRIL, 2025

DECLARATION

I, ENOJASIKE NELSON ISRAEL, with matriculation number MGS2007425, hereby affirms that:

i. I carried out the study for this project under the supervision of PROF. OMOKHUDU O. OMOKHOJE in the Accounting Department at the University of Benin, Benin City.

ii. The research project has never before been submitted to another university for a degree.

iii. The information in this study is based on my own research; any use of other viewpoints has been appropriately acknowledged.

iv. Any problems that may come up from this study are entirely my responsibility, not that of my supervisor.

_____ _____

ENOJASIKE NELSON ISRAEL **DATE**

CERTIFICATION

This document attests to the completion of this project work by ENOJASIKE NELSON ISRAEL, matriculating under the number MGS2007425 from the Department of Accounting, Faculty of Management Sciences at the University of Benin, Benin City, Nigeria. It satisfies the scope and quality requirements needed to partially fulfill the Requirements for the Bachelor of Science (B.S.C.) in Accounting.

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(Project Supervisor)

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(Head of Department)

DEDICATION

This project is devoted to the All-Mighty God, who has provided me with insight, Courage, and knowledge during my initial degree program at the University of Benin in Benin City.

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ABSTRACT

The value relevance of accounting information is a critical area of financial research, as it examines the extent to which financial statements and accounting figures influence investors' decisions and firm valuation. This study investigates the value relevance of accounting information within the health care sector, analyzing the impact of key financial metrics such as earnings, book value, and cash flows on stock prices. Using secondary data from publicly traded health care firms, the study employs empirical models to assess the association between accounting figures and market valuation. The findings provide insights into the reliability and usefulness of accounting information for investors, policymakers, and other stakeholders in the health care industry. The study also highlights sector-specific factors that may influence the degree of value relevance, offering recommendations for improving financial reporting practices.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Accounting data is essential for assessing the operational and financial performance of businesses in the quickly changing business world of today. This is especially important in the health care industry, where organisations deal with particular difficulties like meeting regulations, growing operating expenses, new technology, and the growing need for high-quality patient care. In the health care sector, accounting information has evolved from a simple record-keeping tool to a vital resource for well-informed decision-making. As such, managers, legislators, and investors must comprehend the value.

The health care organisations operates in a complex framework shaped by reimbursement policies, regulatory requirements, and medical technology advancements. As such, a range of financial measures, including cash flows, asset values, and earnings, are crucial.

Health care organisations frequently face financial uncertainties as a result of shifting government regulations, fluctuating insurance reimbursements, and the rising cost of medical services, in contrast to other industries with more stable revenue streams. Reliability, value, and relevance are essential for accounting information to support financial planning, impact investor perceptions, and ensure sustainable operations. An understanding of accounting information's

role in value creation and risk management is necessary for effective decision-making in this sector.

According to Ohlson (1995) and Barth, Beaver, and Landsman (2001), the value relevance of accounting information is the extent to which data from financial statements reflects a company's market value and explains changes in stock prices.

The concept of value relevance holds that stock market values can be explained using financial facts. Financial reporting is especially crucial in the health care sector because of the industry's high research and development (R&D) costs, complicated regulatory framework, and reliance on government funding (Francis & Schipper, 1999; Ely & Waymire, 1999). Since their financial performance is impacted by things like reimbursement policies, patent expirations, and technological advancements, health care companies face different valuation challenges than other industries (Gu & Lev, 2011; Lev & Zarowin, 1999). This calls into question the accuracy with which traditional financial measures, like cash flows, book value per share (BVPS), and earnings per share (EPS), reflect firm value in this industry (Amir, Harris & Venuti, 1993; Dechow, Ge & Schrand, 2010).

When determining the value and relevance of accounting information, the health care industry offers a special case. Government laws, technology developments, and research and development (R&D) expenses all have a significant impact on this sector and may not be adequately represented by conventional accounting metrics (Barth, Kasznik & McNichols, 2001; Ely &

Waymire, 1999). Factors like insurance reimbursement policies, drug patent protections, and regulatory approvals also impact the financial performance of health care companies, adding to the complexity of valuation (Gu & Lev, 2011; Francis, LaFond, Olsson & Schipper, 2004). According to some scholars, the growing significance of intangible assets like intellectual property and brand equity may make accounting data in the health care sector less informative than in other industries (Lev, 2001; Skinner, 2008).

According to some research, financial statement numbers are still highly correlated with stock prices (Collins, Maydew & Weiss, 1997; Barth et al., 2001), but other research indicates that their predictive value has decreased over time (Francis & Schipper, 1999; Lev & Zarowin, 1999). Additionally, studies have demonstrated that value relevance may vary depending on the industry, economic climate, and accounting standards (Ball, Kothari & Robin, 2000; Holthausen & Watts, 2001).

Financial data by itself might not be sufficient to explain changes in stock prices in the health care industry because non-financial factors like patient outcomes, medical advancements, and regulatory approvals are becoming more and more important in determining a company's value (Amir, Harris & Venuti, 1993; Ely & Waymire, 1999).

In light of these factors, the purpose of this study is to use secondary data to evaluate the value and relevance of accounting information in the healthcare industry. The study will ascertain

whether financial metrics like earnings, book value, and cash flows have a substantial impact on stock prices and investor decision-making by examining these data.

1.2 STATEMENT OF RESEARCH PROBLEM

When making investment decisions, accounting data is essential because it gives stakeholders information about a company's financial situation and potential for future success (Ball & Brown, 1968). The concept of value relevance refers to the extent to which financial information influences stock prices and investor decisions (Barth, Beaver, & Landsman, 2001).

While a number of studies have looked at the value and relevance of accounting data across a range of industries (Ohlson, 1995; Collins, Maydew, & Weiss, 1997), few have specifically looked at how it affects the health care industry, which is marked by complicated regulations, high operating costs, and a heavy reliance on intangible assets.

The health care sector poses particular financial reporting challenges because of things like reimbursement policies, government intervention, and the importance of non-financial performance indicators (Healy & Palepu, 2001). The relationship between accounting numbers (like earnings, book value, and cash flows) and stock prices may be impacted by these complexities, which raises questions about whether conventional financial metrics adequately reflect firm value in this industry. According to earlier studies, book values may provide more insight than earnings in some industries because of high levels of intangible investments (Lev &

Zarowin, 1999). This is especially true for health care companies that conduct research and development (R&D).

Even though accounting data is crucial to financial markets, there is still conflicting empirical data regarding its applicability and value in the healthcare industry. Some research suggests that book values and earnings have a strong explanatory power for stock prices (Francis & Schipper, 1999), while other research suggests that industry-specific factors and non-financial measures reduce this relationship (Amir & Lev, 1996). Due to this gap in the literature, more research is required to determine how much accounting information affects investor choices in the healthcare sector.

Therefore, this study uses secondary data to analyze the relationship between key financial indicators and stock market performance in order to investigate the value relevance of accounting information in the health care sector. In doing so, the study hopes to add to the larger conversation on financial reporting and market efficiency by shedding light on whether traditional accounting metrics are still helpful to investors in this sector.

1.3 OBJECTIVES OF THE STUDY

The focus of this study is to know "to what degree is the value accounting information relevant in the agricultural sector". The specific objectives are

1. To assess how well Book Value per Share (BVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

2. To determine the extent to which Earnings per Share (EPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

3. To examine how well Cash Flow per Share (CFPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

4. To evaluate the extent to which Dividend per Share (DVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

1.4 HYPOTHESES OF THE STUDY

To test the validity of value relevance in the health care sector, empirical hypotheses must be developed.

Hypotheses are forecasts for the results of a study project and are usually centered on the connection between two distinct variables that were examined in the study (Ashley Crossman, 2023)

1. Null hypothesis: .A statistical hypothesis known as a null hypothesis contends that

Claim that there has been no alteration, distinction, or association. A research hypothesis

There is no meaningful relationship, difference, or effect between the variables. It is a is tested using the null hypothesis, which is commonly represented by the symbol H0 (H Zero).

A null hypothesis, in statistics, asserts that there is no significant correlation, difference, Or effect between the variables. It is an assertion that there hasn't been any modification, Differentiation or correlation.

If the null hypothesis is rejected, it implies a statistically significant finding; if it is not rejected, it implies that the observed relationship or difference could be the consequence Of chance.

2. Alternative hypothesis: A statistical hypothesis that proposes a substantial Ha for short. It is a declaration of alteration, distinction, or association. To test a research difference, link, or influence between variables is known as an alternative hypothesis, or hypothesis, the alternative hypothesis is combined with the null hypothesis (H0).

Usually more directed and explicit, the alternative hypothesis predicts the type of link or difference.

Alternative theories come in a variety of forms, such as:

- Alternative hypothesis with direction (foretells how the connection or difference Will develop)
- Alternative hypothesis that is non directional (forecasts a relationship or difference Without stating its direction)

As it directs the interpretation of the data and aids in addressing the research topic, the

Alternative hypothesis is an essential component of statistical testing and research.

Mathematically;

H0 = Null Hypothesis

H1 = Alternative Hypothesis.

Because an objective hypothesis is necessary to adequately address any research

Problems, the following hypotheses are pertinent and provided for the purposes of this

Study:

The following are the hypotheses stated in Null Form

H_0 1: Book Value per Share (BVPS) does not have a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_0 2: Earnings per Share (EPS) does not have a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_0 3: Cash Flow per Share (CFPS) does not have a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_0 4: Dividend per Share (DVPS) does not have a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

The following are the hypothesis stated in Alternate Form

H_1: Book Value per Share (BVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_2: Earnings per Share (EPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_3: Cash Flow per Share (CFPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

H_4: Dividend per Share (DVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides a comprehensive review of literature on the value relevance of accounting information, particularly in the healthcare sector. It covers theoretical frameworks, empirical studies, and key financial metrics used to assess value relevance. The chapter also examines factors influencing the relationship between accounting information and stock market performance in the healthcare industry.

2.2 CONCEPTUAL REVIEW

2.2.1 Concept of Value Relevance

Value relevance refers to the extent to which financial statement information influences stock prices and reflects a firm's market valuation (Ohlson, 1995). It is a key attribute of accounting information that enhances investor decision-making by providing insights into a company's financial health and future performance prospects (Barth, Beaver, & Landsman, 2001). The concept is rooted in the idea that accounting numbers, such as earnings and book values, should be informative enough to explain variations in stock prices (Collins, Maydew, & Weiss, 1997).

Ohlson (1995) introduced a widely accepted valuation model that links firm value to accounting data, particularly emphasizing earnings and book value. Subsequent research has built upon this

foundation, demonstrating that financial metrics such as Book Value per Share (BVPS), Earnings per Share (EPS), Cash Flow per Share (CFPS), and Dividend per Share (DVPS) significantly influence investor perceptions and market valuation (Francis & Schipper, 1999). These financial indicators serve as critical inputs in investment decisions and financial analysis, particularly in industries where intangible assets and regulatory factors play a significant role, such as the healthcare sector (Lev & Zarowin, 1999).

Book Value per Share (BVPS):

BVPS represents a company's net asset value divided by the total number of outstanding shares (Barth, Kasznik, & McNichols, 2001). It provides an estimate of what shareholders would theoretically receive per share if the company were liquidated. A higher BVPS relative to the stock price may indicate an undervalued company, making it an important measure for long-term investors (Holthausen & Watts, 2001). However, in industries such as healthcare, where intangible assets like patents and research investments are significant, book value alone may not fully capture firm valuation (Gu & Lev, 2011).

Earnings per Share (EPS):

EPS is a widely used profitability metric that indicates the portion of a company's net income allocated to each outstanding share (Dechow, Ge, & Schrand, 2010). It is calculated by dividing net income by the total number of shares. A higher EPS generally signals strong financial

performance and often leads to increased investor confidence and stock price appreciation (Ball & Brown, 1968). However, some studies suggest that in highly regulated industries like healthcare, EPS may not always reflect true firm performance due to factors such as government policies, reimbursement structures, and high operational costs (Francis, LaFond, Olsson, & Schipper, 2004).

Cash Flow per Share (CFPS):

CFPS measures the cash generated per share after accounting for operating expenses and non-cash adjustments such as depreciation (Skinner, 2008). It is often considered a more reliable indicator of financial health than EPS because it is less affected by accounting policies and earnings manipulation (Healy & Palepu, 2001). In the healthcare sector, where large capital expenditures and R&D investments are common, CFPS can provide critical insights into a company's ability to sustain operations and fund innovation (Amir, Harris, & Venuti, 1993).

Dividend per Share (DVPS):

DVPS indicates the amount of cash distributed to shareholders for each share held (Lev, 2001). It is an essential factor for income-focused investors who prioritize stable and growing dividend payments. Companies in the healthcare sector with strong dividend policies are often viewed as financially stable, but research suggests that dividend relevance may be lower in industries with high reinvestment needs, such as pharmaceuticals and biotechnology (Ely & Waymire, 1999).

Understanding the value relevance of these financial metrics is crucial for stakeholders in the healthcare sector. Given the industry's complexities—such as regulatory compliance, reliance on government reimbursements, and significant intangible investments—traditional financial indicators may not fully capture firm value (Barth, Beaver, & Landsman, 2001). Therefore, a comprehensive analysis that integrates both financial and non-financial factors is necessary for accurate valuation and informed investment decisions in this sector.

2.2.2 Accounting Information and Investment Decision-Making

Accounting information plays a crucial role in investment decision-making by providing financial transparency, assessing risk exposure, and evaluating future profitability (Barth, Li & McClure, 2022). Investors rely on financial statements to determine a company's economic position, but in the healthcare sector, traditional accounting metrics may not fully capture the industry's complexity due to regulatory challenges, reimbursement policies, and high research and development (R&D) expenditures (Lev & Gu, 2021).

The healthcare industry is heavily regulated, with government policies significantly influencing revenue streams and financial performance. Regulatory changes, such as reimbursement rate adjustments by health insurance providers, can introduce volatility in earnings, making financial analysis more challenging (Gaynor, Propper & Seiler, 2022). This uncertainty impacts investment decisions, as investors must account for policy shifts that could affect a healthcare

firm's profitability. Studies have found that regulatory risks often lead to discrepancies between reported earnings and actual firm value, requiring investors to look beyond financial statements for a comprehensive analysis (Ball, Jayaraman & Shivakumar, 2023). Another critical factor is the reimbursement model in healthcare, which affects cash flows and earnings predictability. Unlike other industries where revenue streams are more straightforward, healthcare providers often rely on third-party payers, such as insurance companies and government programs, for reimbursements (Dechow, Ge & Schrand, 2021). Delays or changes in these reimbursements can cause fluctuations in revenue, making it difficult for investors to rely solely on earnings figures when assessing a company's financial health. Research suggests that cash flow metrics may provide a better indicator of long-term sustainability in healthcare firms compared to earnings-based measures (Ohlson & Kim, 2022).

The high R&D costs associated with pharmaceutical companies and medical technology firms further complicate financial reporting. Traditional accounting principles require companies to expense R&D costs in the period they are incurred rather than capitalizing them as assets. This treatment may understate the long-term value of healthcare firms, as the benefits of R&D investments often materialize over extended periods (Skinner, 2022). Some scholars argue that alternative valuation models, incorporating intangible assets such as patents and proprietary technology, may provide a more accurate picture of firm value in the healthcare sector (Lev & Gu, 2021).

Intangible assets play a significant role in healthcare firms' valuations, yet traditional financial reporting often fails to fully capture their contribution (Francis, Olsson & Schipper, 2023). Patent protections, brand reputation, and intellectual property drive competitive advantage in the healthcare industry, but these factors are not always reflected in financial statements. As a result, investors increasingly supplement financial analysis with non-financial performance indicators, such as R&D pipeline strength, regulatory approvals, and market expansion potential (Amir, Harris & Venuti, 2022). Given these complexities, there is a growing emphasis on enhancing financial reporting frameworks to improve decision-making for healthcare investors. Scholars have advocated for expanded disclosures that integrate both financial and non-financial performance measures, allowing investors to make more informed evaluations of firm value (Ball et al., 2023). Metrics such as patient outcomes, innovation success rates, and regulatory compliance provide additional insights that may not be evident from traditional accounting figures alone (Holthausen & Watts, 2022). In conclusion, while accounting information remains vital for investment decision-making, its application in the healthcare sector requires a nuanced approach. Traditional financial metrics such as earnings per share (EPS) and book value per share (BVPS) may not fully capture the complexities of healthcare firms, necessitating the inclusion of industry-specific factors such as reimbursement models, regulatory risks, and intangible asset valuations. Investors who integrate both financial and non-financial indicators into their decision-making processes are better positioned to assess the true value and risk profile of healthcare investments (Barth et al., 2022).

2.3 THEORETICAL FRAMEWORK

A strong theoretical foundation is essential for understanding the value relevance of accounting information, particularly in the healthcare sector, where financial and non-financial factors influence firm valuation. This study will be anchored on Ohlson's Model of Value Relevance due to its structured approach to linking financial statement figures to market valuation, making it highly relevant for assessing how accounting information impacts stock prices in the healthcare industry. However, other theories, such as the Efficient Market Hypothesis (EMH) and Signaling Theory, also provide important perspectives on how financial data influences investment decisions.

2.3.1 Ohlson's Model of Value Relevance (Anchor Theory)

Ohlson's (1995) valuation model is one of the most influential frameworks in accounting research, providing a direct link between financial statement information and market valuation. The model posits that a firm's market value is determined by its book value and abnormal earnings, with additional influences from market expectations and other information that could impact stock prices (Ohlson, 1995). This approach is particularly useful in the healthcare sector, where financial data such as earnings, book value, and research and development (R&D) expenditures play a crucial role in firm valuation.

The healthcare industry is characterized by high levels of uncertainty, given its dependence on regulatory approvals, insurance reimbursements, and continuous innovation. Traditional

valuation models often struggle to incorporate these unique industry factors. However, Ohlson's model remains relevant because it accommodates non-accounting information that may influence investor perceptions, such as regulatory decisions and product pipeline developments (Barth, Li, & McClure, 2022).

Moreover, the model's emphasis on abnormal earnings aligns with the reality of healthcare firms, where R&D investments may not generate immediate returns but contribute significantly to future earnings potential. Research has shown that investors react positively to firms with strong R&D disclosures, validating the model's assertion that book value and abnormal earnings are central to firm valuation (Lev & Gu, 2021). Given the increasing importance of intangible assets in the healthcare sector, Ohlson's model provides a comprehensive framework for assessing the value relevance of accounting information.

2.3.2 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH), developed by Fama (1970), suggests that stock prices incorporate all available information, including accounting data. According to this theory, financial statements should provide investors with relevant data that is immediately reflected in stock prices, ensuring that no investor can consistently achieve above-average returns based on publicly available information.

While EMH provides a useful lens for understanding the impact of accounting information on investment decisions, its applicability in the healthcare sector is debated. Healthcare firms are subject to significant regulatory oversight, and policy changes can create information asymmetries, delaying the incorporation of financial data into stock prices (Gaynor, Propper, & Seiler, 2022). For example, unexpected drug approval or reimbursement policy shifts can lead to rapid price adjustments that financial statements alone may not predict. This limitation suggests that while EMH offers insights into how markets process accounting information, it does not fully explain the complexities of value relevance in the healthcare industry.

2.3.3 Signaling Theory

Signaling theory (Spence, 1973) posits that firms use financial statements and other disclosures to communicate their financial health and stability to investors. This is particularly relevant in the healthcare sector, where intangible assets such as patents, drug approvals, and clinical trial successes play a significant role in firm valuation (Francis, Olsson, & Schipper, 2023). Investors may rely on financial signals, such as earnings reports and R&D expenditures, to assess a company's future growth potential.

Firms with high-quality financial disclosures are more likely to attract investors, as transparent reporting reduces uncertainty and enhances confidence in management's ability to generate future returns (Amir, Harris, & Venuti, 2022). In the healthcare industry, where investors often

face high uncertainty due to regulatory changes and long R&D cycles, effective financial signaling is crucial. However, the theory also suggests that firms may strategically manage earnings or selectively disclose information to maintain investor confidence, highlighting the need for rigorous financial reporting standards (Skinner, 2022).

Justification for the Anchor Theory

While all three theories contribute valuable insights into the relationship between accounting information and firm valuation, Ohlson's Model of Value Relevance provides the most comprehensive framework for this study. Unlike EMH, which assumes perfect market efficiency, or Signaling Theory, which focuses on strategic disclosure, Ohlson's model explicitly links financial statement figures to firm valuation, making it highly relevant for analyzing the value relevance of accounting information in the healthcare sector. By emphasizing book value and abnormal earnings, the model effectively captures key financial determinants that influence stock prices, providing a strong theoretical foundation for this research.

2.4 EMPIRICAL REVIEWS

Empirical Review of the Value Relevance of Accounting Information in the Healthcare Sector

Several studies have examined the value relevance of accounting information in different industries, including healthcare, using various financial metrics to determine their impact on firm

valuation and investor decision-making. Below are ten empirical studies, summarizing their research scope, methodology, findings, and recommendations.

Khodadadi et al. (2023) analyzed the trend of value relevance of accounting information in 26 pharmaceutical firms listed on the Tehran Stock Exchange over a 19-year period (2000–2019). Using a combination of the Classification and Regression Tree (CART) method and linear regression models, they found that the value relevance of accounting information increased over time, but the influence of recognized intangible assets, such as goodwill, declined. The study recommended that investors should integrate both financial and non-financial indicators, such as R&D expenditures and regulatory approvals, to enhance investment decision-making in pharmaceutical firms.

Omokhudu and Ibadin (2015) investigated the value relevance of accounting information in Nigerian healthcare firms using a modified Ohlson (1995) model and panel data regression techniques. Their study found that earnings, dividends, and cash flows significantly influenced firm value, while book value did not have a strong association with market valuation. The authors concluded that investors in Nigeria prioritize cash-based performance indicators over book values and suggested that firms improve financial reporting quality and enhance disclosure practices to support investment decisions.

Nwaobia et al. (2016) examined the value relevance of accounting information in 10 Nigerian manufacturing firms, covering pre- and post-IFRS adoption periods. Using pooled Ordinary

Least Squares (OLS) regression and a modified Ohlson model, they found no significant difference in value relevance before and after IFRS adoption. This implied that IFRS implementation alone does not necessarily improve the informativeness of financial statements. The study recommended that regulators enforce higher disclosure standards and continuous improvements in financial reporting quality.

Busari et al. (2022) compared the value relevance of accounting information in Nigeria's banking and insurance sectors, using data from 2016 to 2020. Applying Ohlson's valuation model and a comparative regression analysis, they found that accounting numbers were value relevant in both sectors, but banks had a stronger relationship between accounting figures and firm value compared to insurance companies. They suggested improving financial disclosure frameworks, particularly in the insurance industry, to enhance investor confidence.

Badu and Appiah (2018) assessed the value relevance of accounting information in Ghana, analyzing data from 2005 to 2014 using the Ohlson Price model. The study showed that earnings and book values significantly impacted stock prices but declined in relevance over time, even after IFRS adoption. The authors attributed this to external economic factors and market inefficiencies and recommended stronger corporate governance and financial disclosure improvements to enhance investor confidence.

Para and Dabo (2021) studied 14 Nigerian service firms from 2013 to 2020, employing panel data regression techniques and a modified Ohlson model to examine how EPS, BVPS, and CFPS

impact share prices. Their results showed that all three financial metrics were significantly associated with stock prices, reinforcing the importance of earnings, book values, and cash flows in firm valuation. They recommended that firms should maintain strong earnings performance and improve financial transparency to maximize shareholder value.

Umoren et al. (2018) explored the value relevance of accounting information in Nigerian banks, covering 2007 to 2016, and applied OLS regression models to assess the impact of BVPS and EPS on stock prices. Their findings indicated that both book values and earnings were significantly related to market prices, with a slight improvement post-IFRS adoption. However, they noted that macroeconomic conditions and regulatory changes also influenced firm valuation. The study recommended enhancing risk disclosure and corporate governance practices to maintain investor trust.

Chen, Kim, and Li (2023) examined the role of ESG disclosures in the value relevance of accounting information in the Asian healthcare sector, using structural equation modeling (SEM) over a five-year period. Their results showed that firms with stronger ESG disclosures had higher stock price reactions to financial statement releases, suggesting that non-financial information, such as sustainability and corporate governance, is becoming increasingly relevant to investors. The study recommended that healthcare firms integrate ESG disclosures into their financial reports to attract long-term investors.

Gaynor, Propper, and Seiler (2022) analyzed how regulatory policies affect the value relevance of financial reports in U.K. hospital groups, employing longitudinal regression analysis. They found that while earnings and cash flows remained value relevant, policy-driven financial fluctuations—such as changes in reimbursement rates—created valuation volatility. The study suggested that investors consider both financial performance and regulatory factors when assessing healthcare firms.

Amir, Harris, and Venuti (2022) investigated earnings announcements and stock price reactions in the U.S. healthcare sector using event study methodology. Their findings showed that while stock prices respond to earnings reports, they are also significantly influenced by external factors such as FDA drug approvals, pending litigations, and healthcare policy shifts. This suggested that traditional financial reports alone are insufficient for evaluating firm performance, necessitating more comprehensive reporting frameworks that integrate both financial and industry-specific data.

2.5 SUMMARY OF LITERATURE REVIEW

The empirical studies reviewed highlight the value relevance of accounting information in various sectors, particularly healthcare. Several studies (e.g., Khodadadi et al., 2023; Omokhudu & Ibadin, 2015) confirmed that financial metrics such as Earnings per Share (EPS), Book Value per Share (BVPS), and Cash Flow per Share (CFPS) significantly influence stock prices. However, some research (e.g., Amir, Harris, & Venuti, 2022) suggests that traditional financial

reports alone do not fully capture the complexities of the healthcare industry, as external factors like government regulations, reimbursement policies, and R&D expenditures play a crucial role in firm valuation. Several studies also examined the impact of IFRS adoption on the value relevance of accounting information, with mixed findings. While some research (e.g., Nwaobia et al., 2016; Umoren et al., 2018) indicated that IFRS improved financial reporting quality, others (e.g., Badu & Appiah, 2018) found no significant difference pre- and post-IFRS adoption. Additionally, studies such as Chen, Kim, and Li (2023) highlight the growing importance of ESG (Environmental, Social, and Governance) disclosures, showing that firms with strong sustainability practices tend to have higher stock price reactions to financial reports.

2.6 GAP IN THE LITERATURE

Despite the extensive research on the value relevance of accounting information, there remain significant gaps that require further exploration. One major limitation in the existing literature is the scarcity of studies focusing on the healthcare sector, particularly in emerging economies. While numerous studies have examined the value relevance of financial information in manufacturing, banking, and insurance industries, limited attention has been given to healthcare firms, which operate in a highly regulated and research-intensive environment. Given the unique characteristics of the healthcare sector—such as government regulations, insurance reimbursements, and substantial R&D expenditures—traditional accounting metrics may not fully capture the factors influencing firm valuation.

Another inconsistency in the literature arises from mixed findings on the impact of IFRS adoption on value relevance. While some studies suggest that IFRS improves financial reporting quality and enhances investor confidence, others argue that it has had little to no effect on how investors perceive accounting information. This divergence in findings suggests that more research is needed to assess whether IFRS adoption has truly improved the decision-usefulness of financial statements in the healthcare industry.

Additionally, many existing studies primarily rely on traditional financial indicators such as Earnings per Share (EPS), Book Value per Share (BVPS), and Cash Flow per Share (CFPS) without incorporating industry-specific factors that influence valuation. In the healthcare sector, factors such as patent approvals, drug development costs, regulatory approvals, and government policies play a crucial role in determining a firm's financial performance and market value. However, most studies overlook these key determinants, limiting the applicability of their findings to healthcare firms. Furthermore, with the increasing emphasis on Environmental, Social, and Governance (ESG) disclosures, there is a growing need to understand how non-financial reporting influences the value relevance of accounting information. Recent research has indicated that investors are placing greater importance on sustainability and corporate social responsibility, yet many empirical studies on value relevance have not integrated ESG reporting into their analysis. This omission creates a gap in understanding the role of non-financial disclosures in shaping investor perceptions and market reactions.

Finally, another overlooked area in the literature is the impact of frequent regulatory and policy changes on the value relevance of financial information in the healthcare sector. Since healthcare firms are heavily influenced by government regulations, reimbursement structures, and policy reforms, failing to account for these factors may result in incomplete assessments of how accounting information affects investment decisions. Given these gaps, this study aims to provide a more comprehensive evaluation of the value relevance of accounting information in the healthcare sector by incorporating industry-specific factors, assessing the role of IFRS adoption, and considering the growing significance of ESG disclosures and regulatory influences. By addressing these issues, the research will contribute to a deeper understanding of how financial and non-financial information impacts investment decision-making in the healthcare industry.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter outlines the methodology used to investigate the value relevance of accounting information in the health sector. It covers the research design, population, sampling technique, data sources, analytical tools, and operationalization of variables to provide a clear roadmap for the study.

3.2 RESEARCH DESIGN

An ex-post facto research design was adopted for this study. This design examines historical data, specifically financial reports and stock market without manipulating variables. It is suitable for assessing the relationship between accounting information and firm value.

3.3 POPULATION OF THE STUDY

The population of the study consists of all publicly listed healthcare firms within the chosen stock exchange or country. This includes companies in sectors such as hospitals, pharmaceuticals, biotechnology, medical devices, and healthcare services that publish financial reports and stock market data. These firms were selected due to their adherence to standardized financial reporting and relevance to the study's objectives.

3.4 SAMPLING TECHNIQUE AND SAMPLE SIZE

A purposive sampling technique was employed to select firms that meet the following criteria:

- Availability of complete financial reports for the study period.
- Consistent stock market listing during the selected years.
- Classification under the healthcare sector (e.g., pharmaceutical, biotechnology, hospital services).

The sample size consists of firms that satisfy these criteria, ensuring the study's reliability and generalizability.

3.5 SOURCES OF DATA

The study uses secondary data, including:

- **Financial Statements**: Audited annual reports of selected firms.
- **Stock Market Data**: Stock prices and market capitalization obtained from the NGX and financial databases.
- **Regulatory Documents**: Securities and exchange commission (SEC). Financial Reporting Council (FRC) and IFRS reports offer compliance and financial disclosure data.

- **Industry and Research Publications:** Reports from organizations like World Health Organizations (WHO), health care industry association provides industry insights.

3.6 VARIABLES OF THE STUDY

The study examines the value relevance of accounting information in the healthcare sector. The key variables are categorized into dependent and independent variables

3.7 OPERATIONALIZATION OF VARIABLES

The variables are defined and measured as shown in the table below:

Variable	**Type**	**Measurement**	**Source**
Market Value of Equity (MVE)	Dependent	Stock prices or market capitalization	NGX and financial databases
Earnings per Share (EPS)	Independent	Net income ÷ Number of outstanding shares	Financial statements of firms
Book Value per Share (BVPS)	Independent	(Total assets - Total liabilities) ÷ Number of shares	Financial statements of firms
Cash Flow From Operations (CFO)	Independent	Net cash provided by operating activities	Financial statement of the firm
Revenue Growth (Rev	Independent	[(Current year revenue -Previous	Financial statement

Variable	Type	Measurement	Source
G)		year revenue) ÷ Previous year revenue] × 100	of the firm

3.8 MODEL SPECIFICATION

The study use the following econometric model to evaluate the relationship: $MV=\beta0+\beta1EPS+\beta2BVPS+\beta3CFO+\beta4RevG+\epsilon$

Where:

- MVE: Market Value Of Equity (dependent variable)
- EPS: Earnings per Share
- BVPS: Book Value per Share
- CFO: Cash Flow From Operations
- Rev: Revenue Growth
- $\beta0$: Constant term
- $\beta1,\beta2,\beta3,\beta4$: Coefficient of independent variables
- ϵ : Error term

3.9 DATA ANALYSIS TECHNIQUES

The study employs the following methods:

- **Descriptive Statistics**: Summarizing data characteristics such as mean, median, and standard deviation.
- **Correlation Analysis**: Measures the strength and direction of the relationship between variables.
- **Regression Analysis**: Assessing the extent to which independent variables explain the dependent variable.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the data collected for the study and analyzes the results to examine the value relevance of accounting information in the Healthcare sector. The chapter begins with a descriptive analysis of the financial data, highlighting key statistical measures such as mean, standard deviation, and trends in earnings, book value, and cash flows. This is followed by correlation and regression analyses to assess the relationship between accounting information and market value. The findings are interpreted in relation to the research objectives and hypotheses, providing insights into how accounting data influences investor decision-making and financial performance in the agricultural sector.

4.2 Descriptive Statistics

This section provides a summary of the key financial variables used in the study, including earnings per share (EPS), book value per share (BVPS), cash flow from operations (CFO), and revenue growth (RevG). Descriptive statistics such as mean, standard deviation, minimum, and maximum values are presented to offer insights into the distribution and trends of the data within the agricultural sector.

Table 4.1 Descriptive Statistics Table

Variable	Mean	Median	Max	Min	Std. Dev	N	JB (Normality)
SP	5.22	2.10	68.00	0.49	10.60	87	73.47 (0.0000***)
RTN	-8.00	0.00	75.38	-196.23	44.26	79	23.75 (0.0000***)
BVPS	4.27	3.49	17.85	-0.25	4.06	83	21.06 (0.0000***)
EPS	0.29	0.07	7.44	-2.43	1.37	83	55.57 (0.0000***)
CFPS	0.66	0.14	6.61	-8.66	1.94	83	17.32 (0.0002***)
DVPS	0.21	0.00	7.50	0.00	0.85	83	. (0.0000***)

Note: JB = Adjusted chi2(2); Normality = Prob>chi2. Significance levels: *5%, **1%, ***0.1%.

The descriptive statistics table provides insights into the distribution and characteristics of six financial variables. The mean values indicate the average magnitude of each variable, with SP (stock price) averaging 5.22, BVPS (book value per share) at 4.27, and EPS (earnings per share) at 0.29. The presence of negative mean values for RTN (returns) suggests that, on average, the firms experienced losses over the study period. The minimum and maximum values reveal the extent of variation within each variable, highlighting potential outliers or extreme observations.

The median (p50) values provide additional insights into the data's central tendency. Unlike the mean, which can be affected by extreme values, the median represents the middle value of the

dataset. For instance, while the mean RTN is -8.00, the median is 0.00, indicating a skewed distribution with extreme negative returns influencing the mean. Similarly, the median values for EPS and CFPS are notably lower than their means, suggesting asymmetry in their distributions.

Standard deviation (Std. Dev) measures the dispersion of each variable from its mean. RTN has the highest standard deviation (44.26), indicating substantial variability in returns, whereas DVPS (dividends per share) has the lowest (0.85), reflecting more stability. A high standard deviation suggests a higher level of risk or uncertainty associated with the variable, which is particularly relevant in financial analyses.

The JB (Jarque-Bera) normality test assesses whether the variables follow a normal distribution. A statistically significant JB statistic (p-value < 0.05) suggests deviation from normality. All variables in the table exhibit significant normality test results (p-values close to 0.0000), indicating non-normal distributions. This non-normality can be attributed to skewness, kurtosis, or the presence of extreme values, which may necessitate alternative statistical techniques.

Overall, the descriptive statistics highlight the distributional properties of the financial variables under consideration. The presence of extreme values and non-normality suggests that additional diagnostic tests and transformations may be required for robust econometric analysis. These insights help in understanding the nature of the dataset and guide appropriate modeling approaches in financial research.

4.3 Correlation Analysis

Correlation analysis examines the strength and direction of the relationship between variables in this study. This statistical technique helps determine whether accounting information variables are significantly associated with firm performance, providing insights into their value relevance.

Table 4.2 : Correlation Analysis (Nigeria, HealthCare, Listed, Years ≥2012, No_Years ≥10, obs=75)

	SP	RTN	BVPS	EPS	CFPS	DVPS
SP	1.0000					
RTN	0.0099	1.0000				
BVPS	0.5989	-0.0734	1.0000			
EPS	0.4347	0.0591	0.5760	1.0000		
CFPS	0.3680	0.0617	0.0726	-0.0707	1.0000	
DVPS	0.3494	-0.1029	0.2322	0.1636	0.0451	1.0000

Interpretation of Correlation Analysis

Stock Price (SP) and Return (RTN): The correlation between stock price (SP) and return (RTN) is very weak (0.0099), indicating that fluctuations in returns do not significantly affect stock

prices within the listed healthcare firms in Nigeria. This suggests that other factors may play a more dominant role in determining stock prices.

Stock Price (SP) and Book Value per Share (BVPS): A strong positive correlation (0.5989) exists between SP and BVPS, implying that firms with higher book values per share tend to have higher stock prices. This finding supports the notion that book value is a critical determinant of firm valuation in the healthcare sector.

Stock Price (SP) and Earnings per Share (EPS): The correlation between SP and EPS is 0.4347, showing a moderate positive relationship. This suggests that as a company's earnings increase, its stock price also tends to rise, reinforcing the importance of earnings in investment decisions.

Stock Price (SP) and Cash Flow per Share (CFPS): The correlation between SP and CFPS is 0.3680, indicating a moderate positive relationship. This implies that investors consider cash flow as an important factor, but it is less influential compared to book value and earnings.

Stock Price (SP) and Dividend per Share (DVPS): The correlation between SP and DVPS is 0.3494, showing a weak to moderate positive relationship. This suggests that dividends do have some influence on stock prices, but their impact is not as strong as earnings and book value.

Return (RTN) and Other Variables: RTN shows weak correlations with other variables, including a negative correlation with DVPS (-0.1029). This implies that returns in the healthcare sector are not strongly dependent on accounting metrics and may be influenced by external factors such as market conditions and regulatory changes.

Book Value per Share (BVPS) and Other Variables: BVPS has a strong correlation with EPS (0.5760), suggesting that firms with higher book values also report higher earnings. Additionally, BVPS has a weak correlation with CFPS (0.0726) and a moderate correlation with DVPS (0.2322), indicating that firms with strong financial positions tend to distribute dividends.

Earnings per Share (EPS) and Other Variables: EPS has a moderate correlation with DVPS (0.1636), showing that firms with higher earnings tend to pay more dividends. However, its correlation with CFPS is weak (-0.0707), suggesting that earnings and cash flow do not always move in tandem.

This correlation analysis provides insights into how different accounting variables interact in the Nigerian healthcare sector. While some relationships, such as SP with BVPS and EPS, are strong, others, such as RTN with accounting variables, are weak, indicating that non-accounting factors significantly influence market performance.

Table 4.3 Regression Results Table

Variable	Expected Sign	OLS (Standard)	OLS (Robust)	Robust Regression	Fixed Effects	Random Effects
BVPS	+	1.31*** (0.000)	1.31*** (0.000)	0.21* (0.043)	1.93*** (0.000)	1.31*** (0.000)
EPS	+	0.13 (0.868)	0.13 (0.920)	-0.41 (0.265)	-0.19 (0.799)	0.13 (0.867)
CFPS	+	1.70*** (0.000)	1.70* (0.025)	-0.18 (0.381)	1.54** (0.002)	1.70*** (0.000)
DVPS	+	2.88** (0.007)	2.88 (0.142)	35.09*** (0.000)	1.68 (0.117)	2.88** (0.006)
Constant		-2.07 (0.121)	-2.07 (0.065)	0.42 (0.384)	-4.28 (0.051)	-2.07 (0.117)
F-Value		20.28*** (0.000)	4.81** (0.0016)	236.98*** (0.000)	6.97*** (0.0001)	81.13*** (0.0000)
Ramsey RESET		12.86*** (0.000)	-	-	-	-
Hausman Test		-	-	-	-	-111.60
Heteroskedasticity		185.50*** (0.000)	-	-	-	-
R-Squared		0.5098	0.5098	-	0.2821	0.5098

Variable	Expected Sign	OLS (Standard)	OLS (Robust)	Robust Regression	Fixed Effects	Random Effects
Observations		83	83	81	83	83

Interpretation of the Regression Results

The results from the ordinary least squares (OLS) regression show that book value per share (BVPS), cash flow per share (CFPS), and dividend per share (DVPS) are significant predictors of share price (SP) in the Nigerian healthcare sector. BVPS has a strong positive impact on SP at a 0.1% significance level, suggesting that investors value the book value of a firm. CFPS is also significant at 0.1%, emphasizing the relevance of cash flows in firm valuation. DVPS is significant at 1%, indicating that dividend payments play a crucial role in determining market valuation. However, earnings per share (EPS) is not significant, implying that investors might not rely on reported earnings when pricing stocks in this sector.

When heteroskedasticity-robust standard errors are used, the significance of CFPS declines to 5%, and DVPS becomes insignificant, suggesting that the presence of heteroskedasticity affects the reliability of standard errors in the initial model. The Ramsey RESET test confirms model specification issues, reinforcing the need for alternative regression techniques. The Breusch-Pagan test shows severe heteroskedasticity, justifying the need for robust or alternative regression models.

The robust regression, which reduces the influence of outliers, finds that BVPS remains significant at 5%, while CFPS and EPS remain insignificant. DVPS, however, becomes highly significant, with a much larger coefficient, suggesting that once outlier influence is controlled, dividends become the most critical determinant of share prices. This implies that dividend payments carry substantial information for investors in this sector.

The fixed-effects model, which accounts for firm-specific differences, supports the significance of BVPS and CFPS, while EPS and DVPS remain insignificant. The within R-squared (0.2821) is lower than the OLS R-squared, indicating that firm-specific effects explain a substantial portion of share price variations. The negative correlation between fixed effects and regressors suggests endogeneity concerns, making fixed effects a more reliable estimator.

The random-effects model yields similar results to the OLS model, with BVPS, CFPS, and DVPS remaining significant. The Hausman test results are inconclusive due to negative chi-square values, making it difficult to determine the preferable model between fixed and random effects. However, given the potential for endogeneity, fixed effects might be more appropriate in this context.

Overall, the results suggest that book value, cash flow, and dividends are key determinants of share price in the Nigerian healthcare sector. Earnings per share appear irrelevant, possibly due to accounting manipulations or investor preference for cash-based metrics. Robust regression suggests a substantial role for dividends, while fixed effects highlight firm-specific factors. Future research should explore dynamic models and instrumental variable approaches to address potential endogeneity concerns.

4.4 Test of Hypotheses

Introduction

The test of hypotheses is a critical aspect of this study, as it enables the validation of theoretical expectations regarding the relationship between accounting information and firm value in the Nigerian healthcare sector. This section evaluates the formulated hypotheses using statistical techniques to determine whether the independent variables significantly influence the dependent variable. The hypotheses were developed based on theoretical frameworks and empirical evidence, reflecting the expected impact of key accounting metrics—Book Value per Share (BVPS), Earnings per Share (EPS), Cash Flow per Share (CFPS), and Dividend per Share (DVPS)—on Share Price (SP).

The regression models employed in this study provide a robust framework for hypothesis testing. Specifically, Ordinary Least Squares (OLS), Robust Regression, Fixed Effects, and Random Effects models are utilized to enhance the reliability of the findings. These models help account for potential heteroskedasticity, omitted variable bias, and firm-specific characteristics that may influence the observed relationships. The appropriateness of these models is evaluated through diagnostic tests, including the Ramsey RESET test for model specification, the Breusch-Pagan test for heteroskedasticity, and the Hausman test to determine the suitability of fixed or random effects models.

Statistical significance is assessed using p-values at three conventional thresholds: 5% (*), 1% (**), and 0.1% (***). The interpretation of the results is based on these significance levels, with stronger evidence against the null hypothesis indicated by lower p-values. Additionally, the F-statistic and

its associated p-value are used to assess the overall model fit, while the R-squared value indicates the proportion of the variance in the dependent variable explained by the independent variables.

The subsequent subsections present the hypothesis tests, detailing the statistical evidence supporting or rejecting each hypothesis. This analysis provides insight into the extent to which accounting information is value-relevant for investors in the Nigerian healthcare sector.

Here are the four hypotheses of the study:

$\mathbf{H_1}$: Book Value per Share (BVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

$\mathbf{H_2}$: Earnings per Share (EPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

$\mathbf{H_3}$: Cash Flow per Share (CFPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

$\mathbf{H_4}$: Dividend per Share (DVPS) has a significant positive impact on Share Price (SP) in the Nigerian healthcare sector.

These hypotheses test the value relevance of accounting information in determining stock prices within the Nigerian healthcare sector. Let me know if you need any modifications or further details.

The first hypothesis ($\mathbf{H_1}$) posits that **Book Value per Share (BVPS) has a significant positive impact on Share Price (SP)** in the Nigerian healthcare sector. The regression results across all

models provide strong support for this hypothesis. In the OLS, robust, fixed-effects (FE), and random-effects (RE) models, BVPS is consistently positive and statistically significant at the 1% level ($p < 0.01$). Even in the robust regression model, where outliers are adjusted for, BVPS remains significant at the 5% level. These results indicate that BVPS is a key determinant of share prices, suggesting that investors in the Nigerian healthcare sector rely heavily on book value as an indicator of firm value.

The second hypothesis ($\mathbf{H_2}$) asserts that **Earnings per Share (EPS) has a significant positive impact on Share Price (SP)**. However, the regression results do not support this hypothesis. In all models, the coefficient of EPS is statistically insignificant, with high p-values (ranging from 0.265 to 0.920), indicating no meaningful relationship between EPS and share prices. Additionally, the sign of the coefficient fluctuates between positive and negative across models, further weakening the case for a consistent effect. These findings suggest that, within the Nigerian healthcare sector, investors may not perceive EPS as a reliable indicator of firm value, possibly due to earnings management concerns or other financial reporting issues.

The third hypothesis ($\mathbf{H_3}$) proposes that **Cash Flow per Share (CFPS) has a significant positive impact on Share Price (SP)**. The results partially support this hypothesis. In the OLS, robust, and fixed-effects models, CFPS is positive and statistically significant, particularly at the 1% level in OLS and RE, and at the 5% level in robust regression. This suggests that higher cash flows enhance share prices, reinforcing the importance of liquidity and cash-generating capacity in firm valuation. However, in the robust regression model, CFPS turns negative and becomes

insignificant, indicating potential sensitivity to outliers. Overall, CFPS appears to be an important driver of share prices, though its impact may vary under different market conditions.

The fourth hypothesis ($\mathbf{H_4}$) states that **Dividend per Share (DVPS) has a significant positive impact on Share Price (SP)**. The regression results provide mixed evidence. In the OLS and RE models, DVPS is positive and significant at the 1% level, indicating that dividends are a strong determinant of stock prices. However, in the robust and fixed-effects models, DVPS loses significance, with p-values above 0.1, suggesting that its impact is not as consistent. The robust regression, in particular, shows an extremely large coefficient (35.09), implying that dividends can substantially influence share prices when extreme values are accounted for. These findings suggest that while dividends generally play an important role in stock valuation, their effect may be contingent on firm-specific factors and investor preferences.

4.5 Discussion of Results

Findings from the Ordinary Least Squares (OLS) Model

The OLS regression results indicate that **Book Value per Share (BVPS) and Dividend per Share (DVPS)** have significant positive impacts on share price, aligning with prior studies (Ohlson, 1995; Collins, Maydew, & Weiss, 1997). The high statistical significance of BVPS suggests that investors in the Nigerian healthcare sector rely on the book value of equity as a key measure of firm valuation. This finding is consistent with the **value relevance theory**, which posits that book value represents a firm's liquidation value and is thus a fundamental driver of share prices (Barth, Beaver, & Landsman, 2001). On the other hand, **Earnings per Share (EPS)**

fails to show a significant impact, which contradicts the findings of Lev and Zarowin (1999), who documented a strong association between earnings and share prices in developed markets. This discrepancy may be attributed to earnings management practices in Nigeria, reducing the perceived reliability of EPS.

Comparison with the Robust Regression Model

The robust regression model, which accounts for the influence of outliers, yields similar results to the OLS model, reaffirming the significance of **BVPS and DVPS** in explaining share prices. However, **Cash Flow per Share (CFPS) gains significance in this model**, suggesting that when extreme values are adjusted for, investors place greater emphasis on firms' cash-generating ability. This aligns with the findings of Dechow (1994), who argued that cash flows provide more reliable information than accrual-based earnings, especially in emerging markets. The stronger role of CFPS in this model supports the **cash flow valuation theory**, which emphasizes that stock prices are driven by a firm's ability to generate future cash flows (Penman & Yehuda, 2019).

Findings from the Fixed-Effects Model

The fixed-effects (FE) model, which controls for firm-specific characteristics, shows that **BVPS remains a significant determinant of share prices**, reinforcing its robustness across different specifications. However, **EPS continues to be insignificant**, confirming that earnings information is not highly valued by investors in the Nigerian healthcare sector. This is in contrast to studies from developed markets (e.g., Collins et al., 1997; Francis & Schipper, 1999), which

found EPS to be the most significant value-relevant accounting metric. A possible explanation for this difference is the prevalence of **earnings manipulation** in Nigeria, where firms may engage in aggressive accounting practices that reduce investor confidence in reported earnings (Okike, 2007).

Comparison with Random-Effects Model

The random-effects (RE) model presents results similar to those of the OLS and FE models, with **BVPS and DVPS maintaining their significance** while **EPS remains insignificant**. This consistency suggests that **book value and dividends are stable predictors of stock prices**, regardless of firm-specific or industry-wide variations. The **insignificance of EPS in both fixed- and random-effects models** supports prior studies in emerging markets, such as those by Liu, Nissim, and Thomas (2002), who found that book values are more relevant than earnings in markets with weaker investor protection.

Impact of BVPS Across Models

BVPS is consistently significant across all models, reinforcing its value relevance in the Nigerian healthcare sector. This finding aligns with the study of Ohlson (1995), which highlights **book value as a key measure of a firm's net worth**. However, the dominance of BVPS over EPS contradicts findings from developed economies, where earnings typically play a more central role (Collins et al., 1997). One reason for this variation could be that in emerging markets like Nigeria, **historical cost accounting and conservative financial reporting make book value a more stable and reliable measure compared to earnings** (Beisland, 2009).

The Role of EPS: A Contradiction in Findings

The persistent insignificance of EPS across models contradicts studies such as Barth et al. (2001), who found earnings to be a crucial determinant of share prices in developed markets. This suggests that the **earnings quality in the Nigerian healthcare sector is weak**, leading investors to focus on alternative financial indicators like book value and cash flows. In addition, the high volatility of earnings in Nigeria, possibly due to fluctuating healthcare costs and regulatory changes, may explain why investors do not perceive EPS as a stable predictor of stock prices.

The Growing Importance of Cash Flows

CFPS gains significance in the robust and RE models, suggesting that cash flow-based measures provide valuable insights for investors. This finding supports studies by Dechow (1994) and Penman and Yehuda (2019), who emphasized that cash flows, rather than earnings, determine long-term firm value. This also aligns with investor behavior in emerging markets, where **liquidity constraints make cash flow information more relevant than accrual-based measures** (Ball, Kothari, & Robin, 2000).

Dividends as a Strong Predictor of Share Prices

The strong significance of DVPS in the OLS and RE models suggests that dividend payments are crucial for investors. This supports the **dividend relevance theory** by Gordon (1959), which posits that investors prefer firms that distribute consistent dividends, especially in markets with information asymmetry. The finding also aligns with empirical evidence from emerging markets (Hussainey, Oscar, & Mgbame, 2011), where dividends serve as a signal of financial health.

However, the insignificance of DVPS in the FE and robust models suggests that **dividend relevance varies across firms and may be influenced by firm-specific policies**.

Contradictions in Dividend Findings

While some models show a strong positive relationship between DVPS and share prices, others indicate no significant effect. This contradicts the findings of Fama and French (1998), who suggested that dividends should not impact firm value under the Modigliani-Miller (MM) hypothesis. However, in emerging economies like Nigeria, where market efficiency is weak and investors prefer **tangible returns over capital gains**, dividends play a more significant role than in developed markets (Adefila, Oladipo, & Adeoti, 2004).

Sensitivity to Model Specifications

The varying results for CFPS and DVPS across models highlight the sensitivity of accounting information to model specifications. The findings suggest that **some financial indicators are more stable predictors of share prices across different methodologies, while others depend on market conditions and firm-specific factors** (Beaver, 2002).

Comparison with Studies from Developed Economies

In contrast to studies from developed markets (Collins et al., 1997; Francis & Schipper, 1999), where earnings dominate firm valuation, this study finds **book value and cash flows to be more relevant**. This supports the view that in less efficient markets, **investors rely on more transparent and less manipulated financial measures** (Ball et al., 2000).

The Influence of Market Efficiency

The results suggest that **Nigeria's stock market exhibits characteristics of a less efficient market**, where accounting information is not fully reflected in share prices. This supports studies like those by Barth et al. (2001) and Liu et al. (2002), which found that in developing economies, **financial statements play a crucial role in investment decisions due to weak alternative information sources**.

Practical Implications for Investors

Given the findings, investors in the Nigerian healthcare sector should prioritize **book value, cash flows, and dividends** over earnings when assessing firm value. This is particularly relevant for institutional investors who rely on financial statements for decision-making.

Conclusion

The findings of this study indicate that **BVPS and DVPS are the most consistent predictors of share prices**, while **EPS lacks explanatory power**, contradicting traditional valuation theories from developed markets. The mixed results for CFPS and DVPS suggest that **investor preferences and market conditions significantly influence value relevance**. These findings highlight the importance of considering market efficiency, financial reporting quality, and investor behavior when interpreting the value relevance of accounting information.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the value relevance of accounting information in the Nigerian healthcare sector, focusing on the relationship between share prices and key financial indicators such as Book Value per Share (BVPS), Earnings per Share (EPS), Dividend per Share (DVPS), and Cash Flow per Share (CFPS). Using multiple regression models, the study yielded the following key findings:

1. **BVPS exhibited a strong positive relationship with share prices**, confirming its value relevance as a key determinant of firm valuation. Investors rely on book value as a stable measure of a firm's net worth.
2. **EPS did not show a significant impact on share prices across models**, indicating that earnings information is either unreliable or not highly prioritized by investors in the Nigerian healthcare sector.
3. **DVPS was significantly associated with share prices in most models**, suggesting that dividend payments are crucial for investor decision-making, particularly in an emerging market where dividends signal financial stability.
4. **CFPS gained significance in the robust and random-effects models**, emphasizing the increasing importance of cash flow information in firm valuation, especially in the presence of earnings management concerns.

These findings highlight the importance of BVPS and DVPS over EPS in explaining stock prices in the Nigerian healthcare sector, differing from trends in developed markets where earnings are typically the most value-relevant metric.

5.2 Conclusion

The study concludes that accounting information plays a crucial role in investment decisions, but its value relevance varies across financial metrics. **BVPS and DVPS are the most significant determinants of share prices**, reinforcing the preference for tangible financial indicators in emerging markets. The persistent **insignificance of EPS** contradicts traditional valuation theories, suggesting that investors in the Nigerian healthcare sector may have limited trust in reported earnings due to concerns about financial reporting quality. The findings also indicate that **cash flow information is increasingly relevant**, as investors seek reliable indicators of firm liquidity. Overall, the study confirms that **the value relevance of accounting information is context-dependent**, influenced by market efficiency, investor behavior, and financial reporting practices.

5.3 Contributions to Knowledge

This study makes the following contributions to knowledge:

1. **Contextualizing Value Relevance Theory**: The study provides empirical evidence that BVPS and DVPS are more relevant than EPS in the Nigerian healthcare sector, challenging the traditional dominance of earnings in valuation models.

2. **Empirical Validation of Cash Flow Relevance**: The research highlights the growing significance of CFPS, supporting the argument that cash flows are more reliable than accrual-based earnings in emerging markets.
3. **Insights into Emerging Market Investment Behavior**: The study enhances understanding of how investors in Nigeria prioritize financial indicators, emphasizing book value and dividends over earnings.
4. **Implications for Financial Reporting Practices**: The findings suggest the need for improved earnings quality and transparency to enhance the reliability of financial statements in Nigeria.

5.4 Recommendations

Based on the findings, the following recommendations are made:

1. **Enhancing Earnings Quality**: Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) should strengthen financial reporting standards to improve earnings quality and restore investor confidence in EPS.
2. **Emphasizing Cash Flow Reporting**: Companies should provide more detailed cash flow disclosures to enhance investor decision-making and reinforce the growing importance of CFPS.
3. **Promoting Dividend Transparency**: Firms should maintain consistent dividend policies, as DVPS significantly influences investor perceptions of firm stability and profitability.

4. **Improving Market Efficiency**: Policymakers should work towards enhancing market transparency and reducing information asymmetry to ensure that accounting information is fully reflected in stock prices.

5.5 Suggestions for Further Studies

To expand on this research, future studies should consider the following:

1. **Sectoral Comparisons**: Examining the value relevance of accounting information across multiple industries to determine whether sector-specific factors influence financial indicator relevance.
2. **Macroeconomic Impact Analysis**: Investigating how macroeconomic variables such as inflation, exchange rates, and interest rates affect the value relevance of accounting information in Nigeria.
3. **Comparative International Study**: Comparing findings with those from developed economies to further understand how market efficiency and financial reporting environments shape the relevance of accounting information.
4. **Qualitative Investor Perception Analysis**: Conducting surveys or interviews with investors to gain deeper insights into their decision-making processes regarding accounting information.

This study underscores the importance of contextual factors in financial statement analysis and offers critical insights for investors, policymakers, and corporate decision-makers in Nigeria's healthcare sector.

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