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ACCOUNTING INFORMATION AND VALUE RELEVANCE IN AN ECONOMY UNDER RECESSION: THE NIGERIAN EXPERIENCE

[1]G. N. Ogbonna and [2]Alasin Captain Briggs
[1, 2] Department of Accountancy,
University of Port Harcourt, Rivers State,
Nigeria.

Abstract

This study examined accounting information system and value relevance in accounting in an emerging economy under recession. The objective was to examine the relationship between accounting information and value relevance of commercial banks. Time series data was sourced from the financial statements and annual reports of quoted commercial banks from 2000-2015. Earnings per share and dividend per share was modeled as the function of ordinary share capital, book value of equity, earnings before interest and tax, market value of equity, cash flow and leverage ratio. Multiple regressions were formulated to explore the relationship between the variables. Model I found that all the independent variables have positive relationship with earnings per share while model II found that cash flow and leverage ratio have negative effect on dividend per share. The regression summary prove that model I have an R2 of 72.7% and 62.3%, f-statistics of 7.007 and probability of 0.000162 while model II found an R2 of 75.9% and 66.7%, f-statistics of 8.293, probability of 0.000049. From the above, we conclude that accounting information have significant relationship with value relevance among the commercial banks. The study recommend well formulated policies for the validity of accounting information that can enhance value relevance.

Keywords: *Environmental Accounting, Value Relevance of Accounting Information, Commercial Bank.*

INTRODUCTION

Accounting has been identified, acknowledged and defined as the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof. Accounting information helps users to make better financial decisions. Users of financial information are both internal and external to the organization. The internal users are Management, for analyzing the organization's performance and position and taking appropriate measures to improve the company results, employees for assessing company's profitability and its consequence on their future remuneration and job security, owners for analyzing the viability and profitability of their investment and determining any future course of action.

It is presented to internal users usually in the form of management accounts, budgets, forecasts and financial statement while the external users of accounting information include the creditors for determining the credit worthiness of the organization, tax authorities for determining the credibility of the tax returns filed on behalf of the company, investors for analyzing the feasibility of investing in the company. Investors want to make sure they can earn a reasonable return on their investment before they commit any financial resources to the company, customers for assessing the financial position of its suppliers which is necessary for them to maintain a stable source of supply in the long term and regulatory authorities for ensuring that the company's disclosure of accounting information is in accordance with the rules and regulations set in order to protect the interests of the stakeholders who rely on such information in forming their decisions. In the emerging and a recessed economy like Nigeria, the importance of accounting information cannot be overemphasis, poor accounting information for the users of accounting information can be detrimental to both market and the corporate organizations, this because stakeholders needs adequate and accurate accounting information for decision making and planning. Accounting information is influenced by both internal and external factors of corporate organizations. Internal factors such as ownership structure, audit committee and management interest and external factors such as the political, market, economic and competitive factors influence accounting 9nformation and value relevant. Mainstream accounting research and standard setters agree that the investors are the primary reason for preparation of financial statements. The concept of value relevance refers to the strength of relationship between accounting variables and market value of equity of a firm. Value Relevance studies belong to the broader field called Capital-Market-Based Accounting (CMB AR), that start with the pioneering studies dating back to the 60s of Ball and Brown (1968) and Beaver (1968). Value relevance is one of the basic attributes of accounting quality (Francis et al. 2004). High quality accounting information is a pre-requisite for well-functioning capital markets and economy as a whole and as such should be of importance to investors, companies and accounting standard setters. Value relevance is being defined as the ability of information disclosed by financial statements to capture and summarize firm value.

Value relevance can be measured through the statistical relations between information presented by financial statements and stock market values or returns. The relationship between accounting information system and value relevant has well been examined and documented in literature, but the findings has been controversial as some scholars report positive others report negative relationship between variables of accounting information and value relevant, this motivated further studies. Again the existing studies has focused in the developed countries with better accounting policies that affect accounting information and value relevant with limited empirical studies of citable significant in the developing countries like Nigeria. Similar studies in Nigeria such as (Olugbenga and Atanda, 2014: Ragab and Omiran, 2006: Otega, 2006) examined the

relationship between accounting information and value relevant of the manufacturing firms. Therefore this study intends to examine the effect of accounting information and value relevant of the banking institution. The rest part of this paper are as follows; section two discuses conceptual, theoretical and empirical studies on the effect of accounting information and value relevant, section three discusses the methods adopted in the study, section four presents and analyze results while section five concludes and make recommendations from the findings.

LITERATURE REVIEW

Theoretical Framework

The first tests of value relevance were, of course, based on capital market theories prevalent at the time. For example, Ball and Brown assumed that the Efficient Market Hypothesis is maintained (Brown, 1989). This allowed them to calculate information value of accounting earnings. They were probably aware of the Modigliani-Miller propositions, which explicitly connect firm value with its expected income (Modigliani & Miller, 1958). It is thus apparent that the return on a share of stock will be equal to the return on assets less interest expense. Notice however, that Modigliani-Miller propositions use expected return, not actual return. Return, which is reported in financial statements, influences stock return only indirectly through its impact on expected earnings. Market efficiency, the attribute of Modigliani-Miller's ideal world, is a significant concern in capital market studies. In emerging and transition economies market institutions are not well developed, which often entails market inefficiency. The question is, whether market efficiency is necessary for value relevance studies to produce reliable results. Aboody et al. (2002) argue that semi-strong market efficiency is necessary, if economic inferences are to be unbiased. However, in emerging country studies the goal is only to determine if accounting earnings are at all relevant. Even if a market is not efficient, investors and their decisions can be significantly affected by earnings information.

Efficient Market Hypothesis notwithstanding, testing value relevance requires a market where investors are free in making their decisions and where investors' decisions affect prices. Otherwise, even if accounting numbers are of highest quality, they will not have an impact on stock returns. In other words, stock prices must reflect the preferences of market participants (Abdel-Khalik, Kie Ann Wong, & Wu, 1999). Thus, the stock market must be free from manipulation by the authorities, or other people of power. Moreover, restrictions on trading must not be too strict or subject to authorities' discretion. Examples of such restrictions include setting a narrow limit on daily price fluctuations and freezing trading. In an inefficient market preferences of investors are not reflected in prices, so accounting numbers which influence these decisions are not relevant for stock value. However, the existence of an efficient market does not necessarily imply value relevance. Accounting earnings may still be of doubtful quality: accounting methods may not be well defined; manipulation may be commonplace, internal and external controls non-existent. In

such a case, rational investors will not base their decisions on accounting information. This is what value relevance tests in emerging economies are supposed to test for.

Conceptual Framework

Information should be relevant to the decision making needs of the user. Information is relevant if it helps users of the financial statements in predicting future trends of the business confirming or correcting any past predictions they have made confirmatory value. Same piece of information which assists users in confirming their past predictions may also be helpful in forming future forecasts. The information is relevant to investors as it may assist them in confirming their past predictions regarding the profitability of the company and will also help them in forecasting future trend in the earnings of the company. Relevance is affected by the materiality of information contained in the financial statements because only material information influences the economic decisions of its users (Oyerinde, 2009). The term value relevance is often used to evaluate accounting numbers; an accounting variables if it manifest high degree of association with a measure of market value (Dumontier and Ruffornier, 2002).

The value relevance of a particular accounting standard can also be evaluated, because stakeholders assume that accounting standard do affect the quantum and presentation of accounting numbers (Amir, Harris and Venuti, 1993; Ayers 1998; and Cheng, Liu and Schaeffer 1996). In context of a specific accounting standard, the higher the association between accounting number deriving from it and a measure of market value, the higher the value relevance of that standard. This is of interest to policy makers and standard setters, in assessing the effect of changes in accounting standard, under local conditions. The concept of value relevance refers to the strength of relationship between accounting variables and market value of equity of a firm. This is indicated by R-square from regression analysis and the earnings response coefficient of each accounting variable in the equation. The regression result can be used to measure another important concept of financial information, its timeliness. Timeliness means having information available to decision makers before it loses its capacity to influence decisions. The value relevance of financial information can also be affected by how timely that information is (Kothariand, 1992; Alford Jone, Leftwich and Zmijewiski, 1993; Colins et al 1997; Lev, 1999). The coefficient of regression of market value on accounting numbers also indicates the timeliness of that accounting number.

The concept of value relevance may be defined in a number of ways. Francis and Schipper (1999) discuss four different interpretations of value relevance. Consistent with their fourth interpretation, value relevance is the ability of financial information to capture or summarize information that determines firm value. Therefore value relevance is measured as the degree of statistical association between accounting information and market values or returns.

Earth, Beaver and Landsman (2001) simply state that value relevance research examine the association between accounting amounts and equity market values. In a more thorough discussion of the construct, Francis and Shipper (1999) offer four interpretations of value relevance. Interpretation one is that financial statement information influences stock prices by capturing intrinsic share values toward which stock prices drift. Under interpretation two, Francis and Schipper (1999) state that financial information is value relevant if it contains the variables used in a valuation model or assists in predicting those variables, while interpretation three and four are based on value relevance as indicated by a statistical association between financial information and prices or returns. Value relevance research does not focus on how accounting information is used in valuation.

Accounting information system is a system of collecting, storing and processing financial and accounting data that are used by decision makers. An accounting information system is generally a computer-based method for tracking accounting activity in conjunction with information technology resources. The resulting financial reports and be used internally by management or externally by other interested parties including investors, creditors and tax authorities. Accounting information systems are designed to support all accounting functions and activities including auditing, financial accounting & reporting, managerial and tax. The most widely adopted accounting information systems are auditing and financial reporting modules. The accounting information system pulls data from the centralized database, processes and transforms it and ultimately generates a summary of that data as information that can now be easily consumed and analyzed by business analysts, managers or other decision makers. These systems must ensure that the reports are timely so that decision-makers are not acting on old, irrelevant information and, rather, able to act quickly and effectively based on report results. Consolidation is one of the hallmarks of reporting as people do not have to look through an enormous number of transactions.

Empirical Review

Accounting information and value relevance attract the attention of scholars in the field of accounting. Empirical studies have well been documented in literature.

Ayed and Abaoub (2006) examined the value relevance of accounting earnings and components in the Tunisia Stock Exchange. Employing a sample of 262 firm-years, over the period 1997 to 2004, in which the new accounting system of companies was introduced, but before the introduction of the standard of consolidation in 2005, they tested three hypotheses. First, that operating earnings before taxes are more value relevant than bottom line earnings in explaining returns; second, that earnings components are more value relevant in explaining returns, and, third ,that cash flow from operations is not value relevant and have no incremental information content beyond earnings.

Ng, Gul and Mensah (2007) examined the effect on value relevance of accounting earnings after the coming of Sarbanes-Oxley Act in 2002 and managerial entrenchment

characteristics. Using a sample of firms included in IRRC takeover measure data base, and merging with data in Compustat CRSP, they derive for 13,986 firm-years. They found that the value relevance of earnings is significantly different for three sub-periods in which the sample of observations was partitioned. Employing the existence of anti-managerial entrenchment mechanism, as a measure of good corporate governance, they observe that these measures have a positive impact on value relevance of accounting earnings in the period of Enron Scandal. Increases in value relevance of accounting earnings were only obtained in those firms that engaged in income-decreasing earnings management during the years prior to the Enron scandal.

Ben Naceur, and Nachi (2007) studied on accounting reforms and value relevance, the researchers examine the impact of the accounting reforms on the value relevance of financial information in the Tunisian Stock Exchange (TSE). They examined whether market's evaluation of earnings and book values improved the investors' decision after the implementation of accounting returns. Using a sample of firms trading in the TSE from the period 1992-2001, they examine the relationship between earnings, book value and cash flow with stock prices, before and after accounting reforms. The documented evidence from the examination reveals that earnings, cash flows and book values are significantly and positively related to share prices. It is also shown that value relevance of accounting information has significantly improved after the 1997 accounting reforms; and that the factors of firm size and branch of activity have not improved the value relevance of accounting information in TSE following the accounting reforms.

Pourheydari, Aflatooni and Nikbakat (2008) compared the combined value relevance of dividends and book value with the value relevance of earnings and book value and their relationship with market value of shares in Tehran Stock Exchange from 1996 to 2004. Their results show a positive relationship between dividends, book value and earnings with stock market value. They also found that dividends have information content. The information content of dividends, combination of book values and earnings and combination of book values and dividends are approximately equal. The value relevance of all variables however was found to decline over time. Habib and Elhamaney (2009) adopted the Pope and Wang's (2004) residual income specification instead of the commonly used Ohlson model to ascertain the value relevance of accounting information in Egyptian equity market. The study was drawn up from financial statements of 88 firms as of the year end 2005. Their result shows a positive correlation between cash flow and equity market values in Egypt. They further stated that when the model estimation is based on earnings components of accounting accruals, the valuation weight of abnormal earnings goes up by about a factor of three in order to make up for the negative correlation between accounting accruals and equity market values.

Kirkulak and Balsari (2009) analyzed the effect of inflation adjusted data on explaining the market value of equity and stock returns in Turkey. They find that both

historical cost-based book value and earnings information and inflation adjusted information are value relevant and they complement each other.

Oyerinde (2009) investigated the value relevance of accounting data in the Nigerian Stock Market, with the objective of establishing the relationship between accounting numbers and share prices in the Nigerian Stock Market. The study measures value relevance by the correlation coefficient between stock prices and some accounting numbers. The study found that accounting information has the ability to capture information that affects equity values and that there is relationship between accounting numbers and share prices in Nigerian Stock Market. This study however shows a number of serious limitations: the time scope for this study was narrow, such that conclusions from this study could not be compared to studies done in more matured markets. It also did not take into cognizance the factor of scale as well as the effects of heteroscedasticity. Pereia and Thrikawala (2010) analyzed the published financial statements of commercial banks listed in the Colombo Stock Exchange over the period 2005 -2009. Their result shows that the earnings per share and earnings yield and return on equity have not declined in value relevance. They argued that investors react accordingly to the aggregate of accounting information which is published in the financial statement and without confidence in accounting numbers as whole investors will not take their investment decisions. This implies generally that investors do not focus on short term capital gains or irrational or unusual events. Keener (2011) examined the differences in the value relevance of earnings and book values across industries. He presents evidence that joint value relevance of earnings and book values had not declined, even though the incremental value relevance of earnings increased; while the vale relevance of the book values was unchanged for the period.

Glezakos, Mylonakis and Kafuoros (2012) examined the impact of earnings and book values on share prices; they found that the explanatory power of earnings and book values in share prices had increased over time. They also provided evidence that in the last year earnings played an increasingly declining role in the determination of share prices relative to book values.

Halonen, Parlovic and Pearson (2012) employ a simplified Ohlson's (1995) investigated value relevance of financial reporting in Sweden after the introduction of the International Financial Reporting Standard in 2005. They found that value relevance of book values had increased but the value relevance of earnings had decreased over the period.

Olga and Veltri (2012) investigated the incremental value relevance of aggregate comprehensive income compared to net income, surveying empirical literature on value relevance tests, value relevance approach and other comprehensive income measure. They found that majority of studies did not support the incremental value relevance of other income over net income.

Melissa (2013) addressed the relationship between share price and bottom line accounting information as dividends, earnings and book value in the Nairobi Stock

Exchange. The study shows that earnings and book values are significantly associated with share values, though book value was found to be least significant of the three variables.

Ayzer and Cema (2013) examined the value relevance of financial statement information in Turkish Stock Markets during the period 1997-2011, using the Ohlson (1995) mode. Their result shows that combined book values and earnings are significantly value relevant in explaining stock prices in the Turkish Stock Markets. Book values and earnings were individually significantly value relevant, with book values having higher explanatory power than earnings.

Sibil (2013) investigated the value relevance of accounting information in pre and post financial periods of IFRS adoption for Turkish listed firms. Market value per share is related to book value per share and earnings per share by using the Ohlson model (1995). Overall book value is value relevant in determining market value or stock prices. The result showed that value relevance of accounting information has improved in the post IFRS period considering book values while no improvement has been observed in value relevance of earnings.

Adaramola and Oyerinde (2014) examined the trend in value relevance of accounting information, using a sample of sixty six listed companies in the Nigerian Stock Exchange. The study found that value relevance of accounting information did not follow any trend, but it was lower in the period of military dictatorship and global economic crisis.

Vijltha and Nimalathasan (2014) studied the value relevance of accounting information in the Colombo Stock Exchange. The study finds significant association of Earnings Per Share, Net Asset Value Per Share and Return On Equity, with share prices of listed firms on the Exchange Chen et al (1999) provide empirical evidence as to perception of usefulness by domestic investors in the Chinese stock market of accounting information produced under Chinese GAAP using a sample of all firms listed in Shanghai and Shenzhen Stock Exchanges from 1991 to 1997.

Babalyan (2001) focused on the relative explanatory power and earnings responses coefficient in regressions of reported accounting numbers on market returns of firms listed in the Swiss Stock Exchange, but preparing financial statements under different accounting regimes. He showed that earning numbers from International Accounting Standards (IAS) compliant firms are not more value relevant than earnings from firms reporting under Swiss standards, after controlling for firm size, foreign market listing, audit quality and sensitivity to some variable specifications. He also provided evidence that firms reporting under US GAAP provide more informative earnings numbers, though this result must be put in the context of the small sample of firms and high presence of US GAAP firms on foreign stock markets.

Gaston, Fernadez, Harne and Gadea (2003) employing a sample of 50 local firms listed on national stock markets during the period 1995-1999 in 36 countries, undertook a

comparative study of relevance of earnings and their components. Their results showed that disaggregation of earnings into components parts of income statement provides the investors with incremental information regarding market value of companies. Their results are consistent with earlier studies providing evidence of value relevance of earnings for valuation purposes irrespective of the market analyzed, though the potency of this differ between counties.

Wulandri and Rahman (2004) addressed the effect of three accounting institutional environment parameters, accounting standard quality, acceptability of accounting standards and enforceability of accounting standards on value relevance of accounting earnings. Using a sample from 35 countries, they found a positive association between value relevance of earnings and quality of accounting standards acceptability of standards and punitive enforcement of the standards. They also find that accounting institutional environment has a stronger positive association with value relevance of accounting earnings than legal environment. They also found that for code law and emerging market countries, the association between accounting institutional environment and value relevance is positive and stronger than that of common law developed countries.

Ndubizu and Sanchez (2004) examined the valuation properties of US GAAP and IAS in Chile and Peru. They used the accounting regimes to formulate contracts and to represent the contracts in the financial statement to minimize the likelihood of assessment noise. They found that US GAAP and IAS earnings and book value are value relevant in both countries. However, US GAAP as applied in Chile is more value relevant than IAS in Peru. They provide evidence of the superior value relevance of US GAAP over IAS in emerging countries. Ragab and Omran (2006) examined empirically whether national and international investors in the Egyptian stock market perceive accounting information based on Egyptian Accounting standards to be useful in stock valuation. Using a sample all available listed firms in the emerging market data based from 1998 to 2002, evidence of value relevance of accounting information in Egypt was obtained based on both return and price models. They found that stock prices in Egypt are less information about the future value of the firm than accounting information. They suggested that competing information sources such as earnings forecast, firm research by financial analyst, management conference calls are far less relevant in Egypt than accounting information.

Mao (2006) demonstrated that measurement error bias is a major factor driving the results of previous studies of value relevance of earnings information decline over time. Using the variance of measure error in earnings change as proxy for unexpected earnings, and after controlling for impact of measurement error, trends of Earnings Responses Coefficient (ERC) and R2 estimated using the latent variable model are not significantly different from zero. Mao provided explanation for the low magnitude of OLS ERC observed in previous studies by showing substantial measurement error in using either earnings change or analyst forecast to calculate unexpected earnings. Ortega (2006) reinvestigated the changes in value relevance of earnings book values and cash flows in security prices

over time, employing data from 1961 to 2005extracted from Compustat primary, secondary and tertiary full coverage and research annual industrial files. Firstly, he found that cash flow provides incremental information content beyond earnings and book values in security prices. Secondly, that combined relevance of earnings, book value and cash flow has not declined over time. Thirdly, when firms have negative earnings and onetime items, the value relevance of earnings shift to book values and cash flows. Aleksanyan (2007) using data obtained from Excel Financial Company Analysis over the period 1988 to 2005, covering firms listed in the London stock Exchange found that firms that trade at a premium to book value relevance of two fundamental financial statement value driver- earnings and book value is negatively related to the level of sophistication of the firm's information environment, which is proxy by capitalized value of the firm. But for firms trading at a discount to book value, value relevance of the financial statement drivers is not affected by the level of sophistication of the information environment.

The empirical studies above fail to establish the exact relationship that exists between accounting information and value relevance of the sample firms. The effect of accounting information such as earnings before ordinary shares, value of equity, and dividend per share, cash flow and leverage were not captured in the previous studies. The present study intends to establish the relationship between various accounting information and value relevance of commercial banks in Nigeria.

RESEARCH METHODOLOGY

This study intends to examine the relationship between accounting information and value relevance of Nigeria quoted commercial banks from 2000-2015. The relevant data were sourced from financial statement and annual reports of the commercial banks. Time series data were used and econometric method of data analyses which involves Ordinary Least Square (OLS) were employed. The multiple regressions formulated in this study are adopted from Olugbenga and Atanda (2014) but expanded in the present study to include other accounting information not captured in the study.

$$EPS=f(ODSC,BVE,EBIT,MVE,CF,LR) \ldots\ldots \quad \ldots (1)$$

Transforming equation 1 above to econometric method, we have:

$$EPS = \beta 0 + \beta 1ODSC + \beta 2BVE + \beta 3EBIT + \beta 4MVE + \beta 5CF + \beta 6LR + \mu \ldots\ldots \quad \ldots (2)$$

$$DPS=f(ODSC,BVE,EBIT,MVE,CF,LR) \ldots\ldots \quad \ldots (3)$$

Transforming equation 3 above to econometric method, we have:

$$DPS = \beta 0 + \beta 1ODSC + \beta 2BVE + \beta 3EBIT + \beta 4MVE + \beta 5CF + \beta 6LR + \mu \ldots\ldots\ldots \quad \ldots (4)$$

Where:

EPS = Earnings per share

DPS = Dividend per share

ODSC = Ordinary share capital

B VE = Book Value of Equity

EBIT = Earnings before interest and tax

MVE = Market value of Equity

CF = Cash flow

LR = Leverage ratio

RESULTS AND DISCUSSION

The regression results presented in the tables below explain the relationship accounting information system and value relevance of the Nigeria commercial banks.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ODSC	0.119549	0.082809	1.443674	0.1636
BVE	0.097696	0.038868	2.513521	0.0202
EBIT	0.047373	0.139743	0.339001	0.7380
MVE	0.142557	0.113427	1.256817	0.2226
CF	0.364518	0.567538	0.642280	0.5276
LR	0.079814	0.031661	2.520909	0.0199
C	74.90512	13.39284	5.592923	0.0000
R- squared	0.727483	Mean dependent var		62.62967
Adjusted R-squared	0.623666	S.D. dependent var		16.33924
S.E. of regression	10.02347	Akaike info criterion		7.691062
Sum squared resid	2109.871	Schwarz criterion		8.111421
Log likelihood	-106.3659	Hannan-Quinn criter.		7.825538
F-statistic	7.007414	Durbin- Watson stat		2.049475
Prob(F-statistic)	0.000162			

The multiple regression results presented above reveal the relationship between variables of accounting information as formulated in the model and earnings per share of commercial banks in Nigeria. The R2 and the adjusted R2 of 0.727 and 0.623 indicates that about 72.7% and 62.3% variation on earnings per share of the commercial banks in Nigeria can be traced to variation in accounting information as formulated in the model while the remaining 21.8% and 31.7% can be explained by factors not captured in the model. The

value of the R2 is large and validates the findings of Olugbenga and Atanda, 2014. The f-statistics and the f-probability confirm that the model is significant to explain variation on the dependent variable. The D.W statistics prove the absence of serial auto correlation between the variables in the time series which further validates the variables. However, the (3 coefficient of the variables proved that all the independent variables in the model have positive relationship with the dependent variable. The positive coefficient of 0.119549ODSC, 0.097696BVE, 0.047373EBIT, 0.142557MVE, 0.3645518CF and 0.079814LR indicates that an increase of 10% will increase value relevance of accounting information by 1.1%, 0.9%, 0.4%, 1.4%3.6% and 0.7%. The positive coefficient of the regression intercept validates the effects of the independent variables on the dependent variable even at constant. The positive relationship between the dependent and the independent variables confirm the a-piriori expectations of the results and support the efficient theory of capital market. It is also in line with the findings of Ragab and Omiiran, 2006, Otegam, 2006, and Oyerinde 2009. The t-statistics and the probability values proved that BVE and LR are statistically significant while other variables are statistically not significant. The insignificant effect of the variables can be trace to management factors that impact on the reporting methods of the accounting information.

MODEL II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ODSC	0.026942	0.030011	0.897738	0.3795
BVE	0.032362	0.014086	2.297411	0.0320
EBIT	0.202468	0.050645	3.997791	0.0007
MVE	-0.085052	0.041108	-2.069009	0.0511
CF	0.013861	0.205684	0.067390	0.9469
LR	-0.027504	0.011474	-2.397061	0.0259
C	16.52230	4.853756	3.404024	0.0027
R-squared	0.759582	Mean dependent var		17.44667
Adjusted R-squared	0.667994	S.D. dependent var		6.304499
S.E. of regression	3.632650	Akaike info criterion		5.661127
Sum squared resid	277.1191	Schwarz criterion		6.081486
Log likelihood	-75.91691	Hannan-Quinn criter.		5.795604
F-statistic	8.293477	Durbin- Watson stat		1.517932
Prob(F-statistic)	0.000049			

The estimated regression model (model ii) presented in the above table shows the relationship between accounting information and value relevance of commercial banks in Nigeria. The results found an R2 and adjusted R2 of 0.759 and 0.667 which implies that 75.9% and 66.7% variation on dividend per share of the institution can be traced the independent variables. This confirms by the significant f-statistics and f- probability and the positive coefficient of the regression intercept.

The P coefficient found that all the independent variables have positive relationship on the dependent variable except MVE and LR. The positive coefficient of 0.026942ODSC, 0.032362BVE, 0.142557EBIT and 0.079814LR prove that an increase will lead to increase in value relevance of 0.2%, 0.3%, 1.4% and 0.7% while the negative coefficient of 0.085052MVE and 0.02704LR will reduce value relevance by 0.8% and 0.2%. The negative relationship of the variables is contrary to the expectation of the results and can be blamed on poor accounting information of the firms. The probability and t-statistics value proved that all the independent variables are statistically significant except CF and ODSC.

CONCLUSION AND RECOMMENDATIONS

This study examined accounting information and value relevance of Nigeria commercial banks from 200-2015. The required data for the study were sourced from financial statement and annual reports of the commercial banks. Two multiple regression were formulated as earnings per Share(EPS) and Dividend per share (DPS) as the function of ordinary share capital, book value of equity, earnings before interest and tax, market value of equity, cash flow and leverage ratio. Findings from the regression results formulated proved that the independent variables in the study have significant relationship with the dependent variables. We therefore conclude that, ordinary share capital, book value of equity, earnings before interest and tax, market value of equity, cash flow and leverage ratio have significant effect on value relevance of the banking institution.

RECOMMENDATIONS

From findings of the study recommend that:

- The commercial banks should formulate policies that will enhance the ordinary share capital of those institutions for significant effect on the value relevance of the earnings per share and dividend policy.
- Factors that serve as barrier to accounting information should be removed and policies to enhance the quality of accounting information should be encourage in the industry.
- There is need for management of the commercial banks to enhance the book value of equity, ensure proper earnings that will lead to increase in accounting information to enhance value relevance.

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