Financial Statement Analysis and Stock Valuation: An Empirical Evidence on the Volatility of Deposit Money Banks Listed on Nigerian Stock Market

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Abstract

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

Keywords

Earnings per Share, Financial Statement Analysis, Stock Market Volatility, Stock Valuation.