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The effect of cash flow on share price of listed oil and gas firms in Nigeria

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Abstract

This study investigates how cash flow affects the share prices of oil and gas companies listed in the Nigerian Exchange Group Limited. Secondary Data from 10 of such firms was extracted from their annual reports spanning 2011 to 2023. Using the Generalised Method of Moments, the analysed data of the study revealed several findings. Firstly, cash from operating activities displayed a negative and insignificant impact on share prices at a 1% level of significance. Conversely, cash from investment activities showed a positive and significant effect on share prices at 1% level of significance. Cash resulting from financing activities, however, exhibited a negative and insignificant effect on share prices at 1% level of significance. Additionally, net cash flow shows a positive yet insignificant effect on share prices at 1% level of significance. This suggests that Nigerian oil and gas firms should prioritize investment activities that yield robust cash flows and effectively communicate their growth strategies to investors. Moreover, investors are advised to consider various factors beyond just cash flow when making investment decisions in this sector. Regulatory bodies might also contemplate initiatives aimed at improving transparency and boosting investor confidence within the Nigerian oil and gas market.

Keywords: Financing activities, Investment activities, Net Cash flow, Oil and Gas, Operating activities, Share price

1. Introduction

The oil and gas sector has been the mainstay of the Nigerian economy since the discovery of oil in Nigeria culminating in the passage of the Petroleum Industry Bill PIB into law in 2021 leading to a 20-year effort to reform the oil and gas sector in Nigeria towards greater efficiency of the sector. Following this development, the oil and gas index emerged as the best-performing index in 2022 (Ugwu, 2023).

This has therefore encouraged more focus and study into the various aspects of the oil and gas sector including the share prices which have displayed significant improvement and specifically the effect of the various facets of cash flow on the share prices of the oil and gas sector in Nigeria because the global politics of oil and gas has clearly shown that external forces are responsible for the underdevelopment experienced by peripheral state and their economy and that the international economic system serves the economic and political interest of European and American capitalist (Attoh & Uzoma 2024).

Share price according to Yeoh (2023) is the value of one share in a publicly traded company at the current moment. Share value is very vital to the owners of firms (shareholders), management as well as investors. They often rely on accounting information contained in the various financial statements for measuring these values. According to Meka and Nwadiolor (2018), an increasing number of empirical studies indicate that, the financial statements of businesses encompass certain fundamentals that play very vital role in the path of their respective shares in the capital market and that variations in accounting information should instigate changes in the share price. If accounting information is useful to illustrate price variation, how does these affect the share price? How does the various components of a financial statement affect share price?

2. Background of the study

Statement of cash flow according to International Accounting Standard (IAS) 1 constitutes one of the contents of a general-purpose financial statement. It evaluates how a company's management utilizes cash and cash equivalents. Cash

flow statements provide information that is considered useful for the projection of impending cash flow also its uncertainties as well as the value of firms (Akbar et al., 2011, as cited in Ni et al., 2018).

Once more, the cash flow statement is regarded as crucial information influencing the analysis of an entity's financial stability (Astrakhanseva et al., 2016). This significance stems from its ability, as highlighted by Kurbanova et al. (2018), to enable managers and stakeholders to promptly assess alterations in the company's net assets and its financial framework, encompassing liquidity and solvency. But the effect of the constituent parts of the cash flow statements deserves more attention especially in the wake of the oil and sector reform in Nigeria. These constituent parts include cashflow from operational activities, cashflow from investment activities, cashflow from financing activities as well as net cashflow.

Essentially, IAS 1 outlines that the cash flow statement ought to be ordered into three (3) primary categories: cash flows derived from operational activities, investment activities, and financing activities. Consequently, Barth et al. (2001) argue that the fundamental purpose of preparing financial statements is to meet the information needs of users and to serve as a tool for evaluating a company's future viability. Similarly, reflecting contemporary advancements, financial statements are viewed as one of the most comprehensive, impartial, and dependable sources of information, enabling users to form judgments about a company's financial situation and future prospects (Thalassinos & Liapis, 2014). In many countries worldwide, there is a legal obligation for accounting financial statements to be publicly available sources of information. With their composition, content, and presentation formats standardized by fundamental criteria, it becomes feasible to develop standardized methods for interpreting and analyzing them (Suryanto & Thalassinos, 2017).

Consequently, investors in general and investors in shares, in particular, rely to a large extent on the content of publicly available information in the form of financial statements for their various investments and the pricing of securities. Each of the financial statement required by law according to IAS 1 serve different purpose towards the overall assessment of the worth of the firm. Therefore, different investors depend on different financial statements for specific decisions (Tanko & Adesugba, 2022).

In this paper, therefore, our focus will be on the effect of cash flow statements on the share prices of oil and gas firms listed in the Nigerian Exchange Group Ltd. Though the effect of cash flow has been discussed in previous studies, however, the comprehensive exploration of the varied impacts of cash flows stemming from operational, investment, and financing activities impacting share prices appears to be lacking in the existing literature. The overarching aim of this study is to analyse the effect of cash flows on the share prices of oil and gas companies listed in the Nigerian Exchange Group Ltd where each component of the cash flow statement will be examined to establish the effect it has on share prices.

Based on the above, the following hypotheses stated in null form shall guide in the actualization of the research objectives:

- i. Hypothesis 1: Cash flows from operational activities do not have a significant effect on share price of Oil and Gas firms in Nigeria.
- ii. Hypothesis 2: Cash flows from investing activities do not have a significant effect on share price of Oil and Gas firms in Nigeria.
- iii. Hypothesis 3: Cash flows from financing activities do not have a significant effect on share price of Oil and Gas firms in Nigeria.
- iv. Hypothesis 4: Net cash flows do not have a significant effect on share price of Oil and Gas firms in Nigeria.

3. Literature review

The concepts of share price and the concept of cash flow are the main concepts upon which this study is anchored. The share price, also known as share value, denotes the price or worth of an individual share among a number of tradable shares of a company. Simply put, it is the highest price a buyer is willing to pay for the share or the lowest price at which it can be acquired. The cash flow statement is pivotal for understanding a company's liquidity and solvency, crucial for its sustenance and expansion. Basically, it depict the cash flow from operation, investing and financing activities as well as the net cash flow. It also enables analysts to use past cash flow data to forecast future cash flows, guiding economic decisions like those in net present value (NPV) analysis. By summarizing significant shifts in financial standing over time, the cash flow statement sheds light on management priorities. For instance, an uptick in capital expenditure and development costs may signal potential growth in future revenue streams, while heavy investment in short-term ventures could suggest a lack of viable long-term prospects. Furthermore, comparing cash flows across different entities can reveal disparities in earnings quality, as cash flow data tends to be more objective compared to income statements, which can be influenced by varying accounting policies. Cash flow statements offer valuable insights into future cash flows and their uncertainty, aiding in assessing firms' market value (Akbar et al., 2011).

3.1. Cash flows from operational activities

The primary sources of revenue for the reporting entity, separate from investing or financing activities, are its operational activities. Cash flow from these activities mainly stems from the core revenue-generating operations, influenced by transactions and other actions affecting profit or loss, as determined by statements of profit or loss, and statements of financial position are crucial financial documents. Cash inflows cover receipts from cash sales and collections from accounts receivable, while outflows consist of payments for inventory, operating expenses, taxes, interest, and dividends.

This section holds great importance for companies as it mirrors their operational performance and management of working capital (Libby, Libby & Short, 2014; Berry, 2011; McLaney & Atrill, 2014). Jabbari et al. (2013) suggest a negative correlation between operating cash flows and the risk of stock price crashes, based on their analysis of the Tehran Stock Exchange from 2006 to 2010.

A reporting entity must disclose cash flow from operating activities using either the direct method, which details major categories of gross cash receipts and payments, or the indirect method, which adjusts profit or loss to account for non-cash transactions, deferrals, or accruals of past or future operating cash flows, and income or expenses related to investing or financing activities. However, the direct method, endorsed by Berry (2011), offers a comprehensive analysis of cash flows by examining accounts linked to operating activities. Barth et al. (2001) observed in their research that cash flows from operating activities outperform earnings in predicting future operating cash flows, thereby enhancing the predictability of future cash flows across operating, investing, and financing activities. Similarly, Ni et al. (2018) noted that while earlier studies using projected cash flow yielded mixed findings, recent research relies on cash flow data reported in cash flow statements, cash flow is highlighted as a more accurate predictor of future cash flows compared to earnings (Barth et al., 2001; Subramanyam & Venkatachalam, 2007).

3.2. Cash flows from investment activities

Investing activities entail the purchases and sale of non-current assets including investments in other firms, excluding cash equivalents. According to Titman et al. (2011), cash from investment activities arise from the buy and disposal of non-current assets. Cash flow from investing activities encompasses changes in cash flow resulting from the acquisition and disposal of assets other than those primarily traded by the entity (for example, inventory). It mainly consists of cash outflows from acquiring investments and fixed assets, cash inflows from investment income, and cash inflows from disposing of investments and fixed assets. For a company with investment opportunities, it is anticipated that outward cash movement (outflows) rather than cash inflows from investing activities will be more prominent in the statement of cashflow. Therefore, Ni et al. (2018) noted that the higher ratio of cash outflows from investing activities to total assets minus current assets means a positive sign meaning that it can be opined that expenditure on investing activities would boost the share price. Even though cash outflows may sometime be equal to cash inflows from investment activities as stated by Taillard (2012), Orhan and Basar (2015) are of the opinion that future investment will enhance the growth and survival of firms and so becomes more desirable.

3.3. Cash flows from financing activities

Financing activities encompass actions that change the size and composition of a company's contributed equity and loans. Taillard (2012) describes financing as the process of obtaining capital to support various company needs, such as startup funding, expansion, basic operations, or other financial requirements. Essentially, financing activities involve cash received from issuing debt and equity or disbursed as dividends, share buybacks, or debt repayments. Cash flows from financing activities encompass transactions not classified as operating or investing (Kousenidis, 2006).

The distinct disclosure of cash flows from financing activities is essential as it facilitates forecasting future demands on cash flows by those providing capital to the reporting entity. Transactions related to investing and financing that do not entail cash or cash equivalents are omitted from the cash flow statement and presented elsewhere in the financial statements to furnish pertinent details about these activities. In essence, cash flow from financing activities encompasses alterations in cash flow stemming from proceeds from issuing share capital, debentures, and bank loans, cash outflows associated with finance charges (for example, dividends and interest expense), and cash outflows for share repurchases and debt repayment.

3.4. The Concept of share price

The activities of capital market in general are driven by the forces of demand and supplies. It is a place for trading in securities and for every trading activity, there must be an exchange of value in the form of prices. The share price, also known as share value, denotes the price or worth of an individual share among a quantity of tradable shares of a company. Simply put, it is the highest price a buyer is willing to pay for the share or the lowest price at which it can be acquired. According to Etale and Bingilar (2016), the share price refers to the cost of an individual share from a pool of available shares of a company. It is obviously one of the most important yardsticks in determining the value of a firm (Mohtadi & Agarwal, 2004). Afolabi and Dada (2014) stated that the upward or downward movements of the price of a share depend on the supply and demand for the share at any point in time. This demand and supply indicate the quantity of that share that investors and potential investors are ready to buy or sell at every point in time as well as backed up with the ability to pay. The economic law of demand is also applicable to share trading meaning that when the supply is more than the demand there is a tendency for the price of such share will drop because of the excess of supply over demand. In a similar way, when the demand exceeds supply, the prices of such shares will soar high. The rise and fall in share price are a continuum therefore, investors can gain or lose depending on when they decide to sell or buy shares.

3.5. Empirical review

Krishnan and Largay (2000) emphasized the importance of forecasting future cash flows for firm valuation and investment analysis. The study investigates the essential details found in cash flow statements, including cash flows from operating,

investing, and financing activities, and assesses their impact on a company's value. Although cash flow statements have long been required, debates about their usefulness continue, as noted by Barton et al. (2010); Kumar and Krishnan (2008); Subramanyam and Venkatachalam (2007); and Laswad and Baskerville (2007). Barton et al. (2010) highlighted that accounting figures' characteristics can vary across markets, leading to the classification of cash flows into the three main categories of operating, investing, and financing activities.

According to Glautier et al. (2011), cash is vital for a business, and a healthy cash flow is essential for its survival and growth. They emphasized that the statement of cash flows serves as a tool for management to avoid liquidity issues by revealing the cash generated by a business's operations and allocation. The key aspects to consider in the cash flow statement are positivity, magnitude, and growth over time. Regardless of the level of cash flow achieved, attention should be paid to the three categories: operational, investment, and financial activities.

Investors should also understand which activities generate the most significant cash flows for the company and how these cash flows will be utilized. This understanding enables assessments of the company's future performance. Typically, companies with substantial cash reserves can meet obligations, distribute profits, and handle financial emergencies without borrowing or selling assets. However, it's important to note that high profitability does not necessarily translate to positive cash flow, as profitability can be influenced by non-cash items (Tanko & Adesugba, 2022). Similarly, negative cash flow may not indicate poor company performance if the cash is being invested in assets that support future growth.

In line with International Accounting Standard 7 (IAS 7), companies must outline cash flows from operations, investments, and financing during the reporting period. Hence, Oroud et al. (2017) conducted a study to evaluate the significance of cash flows, especially in stock markets, investigating if cash flow information impacts the stock prices of listed firms. Their findings revealed that cash flows do play a statistically significant role in influencing the stock prices of listed companies.

Again, Osama and Mohamed (2016) investigated the association between cashflows and share prices within deposit money banks from 2005 to 2014. Employing regression analysis to assess their hypotheses, the study unveiled a positive association between cash flows and share prices in the banking sector in Niger. They recommended that both current and prospective investors thoroughly scrutinize cash flow statements before making any investment decisions. In a similar vein, Ibrahim and Ahmad (2015) examined how the basic components of cash flow statements impact the stocks of commercial banks listed in the Amman Stock Exchange. Their findings indicated a restricted influence of cash flows from operating, investment, and financing activities on the market value of these banks' shares. Nonetheless, they recommended a heightened focus on cash flow when evaluating share worth.

Tehran et al. (2013) investigated how cash flows affect the investment levels of firms, discovering a noteworthy influence of cash flow on the sampled companies' investment levels. Abu Al-Rab (2019) noted a direct correlation between operating cash flows and share returns, highlighting that operational cash flows, especially those linked to credit facilities in the banking sector, significantly affect the determination of earnings per share and serve as critical indicators of financial performance.

Similarly, Al-Amoudi et al. (2011) recommended, based on their study of the relationship between changes in market share prices and cash flow that successful management of cash flows leads to increased profits and subsequently higher returns on shares. Collins et al. (2014) and Fawzi et al. (2015) also found a significant relationship between cash flows from operational activities and share prices. For investment activities, Kroes and Manikas (2014) identified a strong relationship between cash flow from investment activities and stock returns.

Nevertheless, Collins et al. (2014) identified a notable correlation between cash flows stemming from financing activities and share returns, which differs from the results reported by Shi et al. (2014), who found no association between cash flows from financial activities and share returns. This has further created a dichotomy in this very sensitive area of finance thereby creating a further justification for this study. It is expected that the outcome of this study will reinforce the argument either in favour of Collins et al. (2014) or justify the position of Shi et al (Shi et al. 2014).

4. Research method

The research employs a descriptive research design, which involves examining the effect of two or more independent variables to explain and predict the outcome or dependent variable. Secondary data extracted from published accounts of firms and the Nigerian Exchange Group spanning the period from 2011 to 2023, covering a ten-year duration, are utilized. The study population consists of 10 oil and gas firms listed on the floor Nigerian Exchange Group (NGX) as of December 31, 2023. Due to the relatively small size of the population, the study will employ a census sample size to achieve higher precision and avoid sampling errors.

Method of data analysis and model specification

The method of analysis for this study is panel regression analysis based on the Dynamic panel data (Generalised Moment of Method) collected from the financial statements of firms as well from the Nigerian Exchange Group. The model below is based on panel data used for the analysis.

Model specification

$$SP = \alpha + \beta_1 CFOA + \beta_2 CFIA + \beta_3 CFFA + \varepsilon \text{ -----1}$$

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$$SP = \alpha + \beta_1 NCF + \varepsilon \text{ -----} 2$$

Where SP is the end-of-year share price which is the dependent variable

CFOA represents the cash flow from operational activities

CFIA represents the cash flow from investing activities

CFFA represents the cash flow from financing activities

NCF is the net cash flow

The proxy for the independent variables is CFOA, CFIA, CFFA, and NCF respectively.

The symbol α stands for the intercept of the regression model; β_1 , β_2 , and β_3 stand for the coefficients of each independent variable in the model.

5. Data analysis

Table 1: Descriptive statistic

Variables	Mean	Std. Dev.	Minimum	Maximum
SP	30.0452	47.2425	0.49	275
CFOA	0.0136	0.1008	-0.7968	0.3587
CFIA	-0.0277	0.1238	-0.9535	0.0097
CFFA	0.0103	0.0964	-0.1771	0.7081
NCF	-0.0058	0.0843	-0.7508	0.3128

Source: STATA 14 output (2024)

Table 1 shows that on average, listed oil and gas firms in Nigeria have share price of 30.0452. This implies the sector on average generates ₦30.0452 share price annually. The standard deviation also shows that the share price values vary around the mean and among firms, indicating a wide degree of dispersion. The minimum and maximum range from ₦0.49 to ₦275 demonstrates the diversity in share price. The mean of the cashflow from the operation of 0.136 shows that on average, the firms show a poor cashflow from an operation. However, the higher standard deviation implies more variability in cashflow from operation. Moreover, the minimum and maximum of -0.7968 and 0.3587 respectively, the range indicate the broad spectrum of cashflow from the operation observed.

The average cashflow from investment is -0.0277, reflecting the firm's overall cashflow from investment, which indicates low CFI and implies that the firm's cashflow outflow is higher than inflow. The standard deviation of 0.1238 is a relatively high standard deviation suggesting significant dispersion in CFI. The minimum of -0.9535 and maximum of 0.0097 show extreme values that highlight potential outliers affecting the average. The cashflow from financing activities shows that on average CFF is 0.0103 which indicate low financing cashflow and the standard deviation shows a wide deviation around the mean of the sampled oil and gas firms which is 0.0964. This is supported by minimum and maximum values of -0.1771 and 0.7081. In addition, the results show that net cashflow documented a mean value of -0.0058, that is the average NCF is negative, indicating poor net cashflow. On the other hand, the standard deviation of 0.0843. The high standard deviation implies high variability in NCF. The minimum of -0.7508 and maximum of 0.3128, range suggests a relatively unstable NCF across firms.

Correlation analysis

Table 2: Correlation matrix

Variables	SP	CFO	CFI	CFF	NCF	VIF
SP	1.0000					
CFOA	0.0221	1.0000				3.64
CFIA	0.0343	-0.3933	1.0000			8.15
CFFA	0.1515	-0.3667	0.0583	1.0000		2.14
NCF	-0.1684	0.5284	0.0312	-0.0361	1.0000	2.75

Source: STATA 14 output (2024)

Table 2 displays the coefficients of correlation between the share price and cash flows. Additionally, it presents the correlation matrix, indicating the Spearman correlation coefficient values between all pairs of the research variables. The selection of the Spearman correlation method over the Pearson correlation method is due to the outcome of skewness and Kurtosis and the Shapiro-Wilk test indicates that the data are not normally distributed. In addition, the Variance Inflation Factor shows that there is an absence of multicollinearity, none of the variables has 10 VIF (Gujirati, 2009). The highest VIF is cashflow from investment of 8.15 and the minimum VIF is 2.14 which is cashflow from financing activities.

Table 2 shows that cash flow from operational activities, cashflow from investment, and cashflow from financing correlate positively with share price between 2011 and 2023 at correlation values of 0.0221, 0.0343, and 0.1515 respectively. In addition, the correlation coefficients are all weak. This also indicates that cashflow from operation, cashflow from investment cashflow from financing, and share price moved in the same direction. This suggests that an increase in CFO, CFI, and CFF would lead to an equal increase in share price.

Table 2 also reveals the sign of the pairwise correlation coefficient between the net cashflow and share price, the result shows that NCF associates negatively with share price, though the relationship is weak at a correlation coefficient value

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of -0.1684. This suggests that NCF and share prices moved in separate way. An increase in NCF led to an equal decrease in share price.

Pre estimation tests

Table 3: Pre and Post Estimation Test

Variables	SP lag Coefficient
Fixed effect	0.6770
Ordinary Least Square	0.8161
One step difference GMM	0.6770
Two step difference GMM	0.6937
One step System GMM	0.8161
Two step system GMM	0.8097
Hetest	0.2214
Arellano-Bond test for AR(1)	0.059
Arellano-Bond test for AR(2)	0.963
Hansen test of overid	0.340
Sargan test of overid	1.000
Hansen test excluding group	1.000
Difference	1.000

Source: STATA 14 output (2024)

In order to choose between the system GMM and difference GMM the study used bond (2001) two thumb rules. The guideline specifies that if the discrepancy between the GMM estimates of the lagged dependent variable is approximately equal to or less than the fixed effects estimates, it indicates that the difference GMM estimate is also downwardly biased due to weak instrumentation. Hence, the system GMM estimator should be favoured in such cases. From Table 3 it indicates that the fixed effect coefficient is 0.6770 less than the two-step difference GMM of 0.6937. This suggests diminishing lag ROA effects. The choice of the two-step system GMM is supported, indicating a more appropriate model specification for improved estimation.

AR(1) and AR(2): The probability values of 0.2214 and 0.059 indicate that there is no autocorrelation in the first and second differences of the dependent variable. Implication: The model adequately addresses autocorrelation issues. Sargan Test Over-identification: The probability value of 0.340 suggests that the instruments used in the analysis are not over-identifying the model. Implication: The instruments are valid for the specified model. This indicates the model is not over-identified, meaning there are not too many instruments compared to the variables being estimated. This is good because it reduces the risk of bias. Sargan Test (p-value = 1.000): Similar to the Hansen J Tests, this test also supports the validity of the instruments.

Hansen Test: The probability value of 1.0000 and 0.340 indicates that the model is not suffering from overfitting. Implication: The instruments used in the analysis are valid and do not lead to model overfitting. Hansen J Tests (p-values = 0.340 and 1.000): Both tests fail to reject the null hypothesis of instrument validity, suggesting the instruments are not weak and are validly correlated with the independent variables. Heteroskedasticity Test (hetest): Significant chi2(1) statistic and p-value of 0.2214 indicate the absence of heteroskedasticity. This implies that varied levels of variability in the error term across observations may not affect the efficiency of coefficient estimates. Autocorrelation and Heteroscedasticity Tests (p-value = 0.354): No evidence of autocorrelation or heteroscedasticity, meaning the errors are not serially correlated or have unequal variances, ensuring reliable estimates.

Table 4: GMM Regression Results

Variables	Coefficient	T	P> t
L.SP	0.6937	33.02	0.000
CFOA	-11.8212	-0.14	0.888
CFIA	13.1272	20.17	0.000
CFFA	-75.1995	-1.08	0.302
NCF	23.1432	0.26	0.799

Source: STATA 14 Output (2024)

6. Findings and discussion

Table 4 shows that lagged share price has positive and substantial effect on share price at coefficient value of 0.6937 and significant at 1% level of significance. The result implies that a unit increase in lagged share price would also increase the share price by 0.6937 units. A positive and significant effect exists, indicating that past share price efforts influence current decisions, potentially due to learning or momentum effects. Table 4 shows that cash flow from operations has a coefficient value of -11.8212 and a p-value of 0.888. This indicates a negative and insignificant effect of CFO on share price, suggesting a slight decrease in share price for every 1% increase in operating cash flow, but the relationship is statistically weak. This might be due to other factors impacting share price more than operating cash flow in the Nigerian context. The finding does not provide enough evidence to reject the null hypothesis which states that cashflow from operation activities does not have significant effect on a share price of listed oil and gas firms in Nigeria. The finding also disagreed with the findings of authors (Abu-Alrab, 2019; Fawzi et al., 2015; Collins et al., 2014).

On the other hand, cash flow from investments has coefficient value of 13.1272 and p-value of 0.000 which is significant at 1% level of significance. It is a strong positive and significant effect of CFI on share price which indicates a clear increase in share price with a 1% increase in investment cash flow. This aligns with the theory that investments in exploration, development, and infrastructure lead to future growth and profitability, driving up share prices. The finding provides enough evidence to reject the null hypothesis which states that cashflow from investment activities does not have significant effect on the share price of listed oil and gas firms in Nigeria. The study findings agreed with the findings of other authors (Kroe & Manikas, 2014; Collins et al., 2014). Table 4 further documented that cash flow from financing has a negative coefficient of -75.1995 and a p-value of 0.302. This suggests a potential decrease in share price with higher financing cash flow. A negative and insignificant effect implies a potential decrease in share price with a 1% increase in financing cash flow, but again, the relationship is not statistically significant. This could be due to concerns about increased debt burden or dilution of shareholder value through financing activities. The finding does not provide enough evidence to reject the null hypothesis which states that cashflow from financing activities does not have a significant effect on the share price of listed oil and gas firms in Nigeria. The finding supports the finding of Shi et al (Shi et al., 2014).

Table 4 also shows that holding all other explanatory variables constant, a 1 percent rise in net cashflow will result in a corresponding 23.1432 unit increase in the share price capacity of the listed firms over the period 2011 to 2020. Although, the effect is insignificant. In addition, the negative coefficient suggests that as firm net cashflow increases firms pay less attention to increase share price. Also, this can be attributed to the fact that some firms have large net cashflow at the end of the accounting year, which results in poor share prices. However, the study does not provide enough evidence to reject the null hypothesis that states net cashflow does not have a significant effect on the share price of listed oil and gas firms in Nigeria. However, the finding is consistent with the findings of others (Oroud et al., 2017; Osama & Mohammed, 2016; Tehran et al., 2013) who documented the negative and insignificant effect of net cashflow on the share price. Inconsistent with the finding is the finding of Ibrahim and Ahmad (2015) who study revealed that net cashflow has positive effect on share price. The relationship between net cashflow per share and share price is indicative of an insignificant negative effect because the higher the proportion of net cashflow in total share, the lower the possibility that the firms will likely increase share price since there is the availability of cash at the end of the accounting which may meet their immediate obligation that needed cash.

Generally, a negative and insignificant impact of cash flow from operation does not align with expectations, the insignificance suggests other factors might play a more significant role in driving share prices. While the negative relationship between cash flow from financing could be expected due to debt burden, the insignificance indicates it might not be a major determining factor for share prices. The Positive and significant effect of cash flow from investment activities, and net cash flow on share price reinforces the importance of strategic investments in driving share price growth.

7. Contribution of the study

This study in addition to contributing to the body of literature in this important aspect of business information has also brought to light the effect of each component of cash flow statement of companies which will eventually serve as indicator for evaluating the various categories of managers. The operation managers can now be evaluated based on cash flow from operational activities, investment managers evaluated based on cash flow from investment activities and the financial managers can also be evaluated based on cash flow from financing activities.

8. Implication of the study

The implication of this study rests on the fact that aside from the overall evaluation of the management through the net cash flow, various managers are saddled with specific responsibilities such as operations. Investment and financing can now be evaluated based on their specific contribution towards the overall cash flow success or otherwise as well as its effect on the share price of the firm.

9. Conclusion and recommendations

Cash flow from investments has a significant positive effect on the share prices of Nigerian oil and gas firms, while the effects of operating, financing cash flow, and net cashflow are weaker and statistically insignificant. The findings partially support the theory that positive cash flow, particularly from investments, can influence share prices in Nigerian oil and gas firms. However, the weak or insignificant impact of operating, financing cash flow and net cashflow suggests other factors play a significant role in the Nigerian context.

Oil and gas firms in Nigeria should prioritize investment activities that generate strong cash flow and communicate their growth strategies effectively to investors. Investors should consider a broader range of factors beyond just cash flow when making investment decisions in the Nigerian oil and gas sector. Regulatory bodies could consider initiatives to enhance transparency and investor confidence in the Nigerian oil and gas market. Additionally, manage financing activities prudently to avoid negative impacts on share price. Firms should conduct regular assessments of their cash flow management practices to optimize performance and shareholder value.

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