

THE EFFECTS OF FINANCIAL REPORTING ON INVESTMENT DECISION MAKING BY BANKS IN NIGERIA

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ABSTRACT

This project was designed to investigate the role of financial reporting in investment decision making. This was triggered off by an unprecedented line up of corporate failures throughout the globe. This research is a critical investigation on the degree of reliance of the financial statements by Banks in making decisions. The study employed survey research design by which data were generated by means the researcher administered questionnaire on the staff of Access Bank branches. The descriptive statistics and percentage analysis were used for the data analysis and the hypotheses were tested using t-test statistic. The statistical package for social sciences (SPSS) software version 17.0 was employed in the analysis of data and test of hypotheses: There is significance extent to which Financial Statements are used to be relied upon in investment decision making $t_{cal} 74.500 > t_{critical} 6.314$ at 5% level of significance. It also showed that financial statements are useful for forecasting bank's performance ($t_{cal} (17.306) > t_{critical} (2.353)$, at 5% level of significance). The results of the analysis also indicated that financial statement determines the profitability of a bank ($t_{cal} (16.590) > t_{critical} (2.353)$, 5% level of significance) and another hypothesis indicated that new investors are projected by financial statement ($t_{cal} 4.592 > t_{critical} 2.5323$; at 5% level of significance). The research was concluded based on the findings that financial statement plays a vital role in investment decision making and recommends that no investment decision should be taken without the consideration of a company's financial statements.

INTRODUCTION

Financial report is a formal and comprehensive statement describing financial activities of a business organisation such as the banks. For such a business entity, financial report is a statement that reports all relevant financial information, presented in a structured manner and in a form easy to understand for managerial use for taking prompt and informed decision making related to investment (IASB, 2007a) in (Afolabi, 2013) and also to decision making pertaining to production planning, investment planning, expected returns and performance evaluation.

Financial reporting is the process of communicating economic information to the stakeholders, management, shareholders, public, etc. to facilitate informed judgement and decision making. It deals with the presentation of financial and other relevant statements to show the extent to which the objectives of the organisation have been achieved. It is a statement prepared by the directors of an organisation showing how well they have been able to manage the resources entrusted to them by the owners (shareholders) of the business. Financial reports are means through which the strengths and weakness of an organisation can be ascertained at a glance.

They are instruments without which certain operational decisions cannot be made, especially those that deal with investment, expenditure and assets management (Better 1998; Meigns 1998; Whittington 1998). Financial reporting entails the preparation and presentation of both financial and non-financial information by the organisation for effective planning and reliable decisions. However, the ultimate aim of financial reporting is to provide information that may be useful enough for evaluating management effectiveness in utilising resources under its control to satisfy its users' needs. Financial reports are used by investors and creditors in deciding where to invest their limited resources in a particular organisation or not (Akintoye 2002). However, in order to have an effective financial report for planning and decision-making,

financial managers must have an analytical knowledge of the instruments used for their decision making. (Peter, 2013).

The financial reports comprises of balance sheet (for determining financial position), profit and loss statement (describes statement of comprehensive income), statement of equity changes (explain the changes of the bank's equity), and cash flow statements (reports on a bank's cash flow activities, particularly its operating, investing and financing activities). Although, these statements are often complex and may include an extensive set of notes to the financial reports and explanation of financial policies and management discussion and analysis (IASB, 2007b).

The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial reports are considered an integral part of the financial statements. However, the approaches that the notes and financial statement are presented and reported are critically for investment decision making by existing and prospective investors in order to earn optimal returns on their investments.

This indicates that financial reporting methods in terms of information disclosure pattern, transparency, auditing, reporting standards, regulatory control and flexibility, corporate governance, and financial scandals have influence on investment decision making in any organisation, especially in corporate organizations with extensive range of investment activities that requires comprehensive financial facts that can be obtained from a financial statement.

The perceived relevance of the financial report is to provide information about the financial position, performance and changes in financial position of a firm that is useful to a wide range of users in making management and investment decisions. These users include managers, directors, employees, prospective investors, financial institutions, government regulatory agencies, media, vendors and general public. Though, these financial reports are often prepared according to national standards, corporate governance, professional ethics, and

code of ethics. This to avoid financial reporting fraud and scandals that might hinders effective decision making process by management and other users of reports. The purpose of ethics in financial accounting reporting with expected standards is to re-orientate corporate organization on the need to abide by a code of conduct that facilitates public confidence in their services (Okafor, 2006). In Nigeria, it has become common practice by banks to adopt creative accounting in anticipation of sourcing for equity capital from the capital firms. Although this approach in financial reporting process often lead to over-valuation of assets and bank's net worth in the views of prospective shareholders and other stake holders. In Okoye and Alao (2008) view, "creating accounting is the transformation of financial accounting figures from what they actually are to what preparers desire by taking advantage of the existing rules and/or ignoring some or all of them". Also, another perceived problem of financial reporting disclosure is the non-compliance to industry corporate governance, ethics, and regulatory standards which is prevalent in the corporate organization of Nigeria. The over-statements are directly traceable to those systems abuses, violation of regulatory standards, in particular, deliberate breaches of our accounting systems and controls. On the basis of the foregoing, this study examines the role of financial reporting on investment decision making in access bank of Nigerian banks.

STATEMENT OF THE PROBLEM

It is observed that the role of financial statements in investment decision making in Nigeria has some problems to both investors and managers of business organizations who are either not aware of the importance of interdependence relationship that exist between investors and business organizations. Such problems include;

- i. How analytical tools are set to aid prospective investors in accessing the financial position of the corporate organization.
- ii. Evaluation of performance of a bank in investment decision making.
- iii. How to determine the profitability of a bank.

The above listed problems are the problems to look into in this research work. The problems analyzed tend to scare away both existing and potential investors. The reason of this study is to adequately look into the above problems and suggest possible solution to any of them. Nevertheless this research will find possible key factors to solving these problems because financial statement in investment decision making in Nigeria is the life blood of every organization to the potential investor.

OBJECTIVE OF THE STUDY

The main objective of this study is to re-establish the role of financial reporting in ensuring managerial effectiveness in organisational planning and decision-making. The specific objectives therefore include the following:

- i. To examine how a set of analytical tools will aid prospective investors in assessing the financial position of the corporate organization.
- ii. To evaluate the performance of a company for investment decision making.
- iii. To determine the profitability of the company.
- iv. To appraise the fundamental use of financial statement information, this is to provide information for investment decision making.
- v. To acquaint ourselves with relevance of financial reporting in financial management of organisations;

RESEARCH HYPOTHESES

Hypothesis according to the English dictionary is an unproved theory, proposition sent forth as an explanation of something, often as the basis for further investigation. Hypothesis is the guides for the investigators in the entire process of research endeavour and they keep the researcher on the main line of the study, in this research, the following hypothesis are formulated for the study;

H₀: financial statements are not used to be relied upon in investment decision making in a bank.

H₁: financial statements are used to be relied upon in investment decision making in a bank.

H₀: financial statements are not useful for forecasting bank's performance.

H₂: financial statements are useful for forecasting bank's performance.

H₀: financial statement does not determine the profitability of a bank.

H₃: financial statement determines the profitability of a bank.

H₀: financial statement does not project new investors.

H₄: new investors are projected by financial statement.

SIGNIFICANCE OF THE STUDY

This study will be of immense benefit to banks by improving the banking performance, financial analysts, investors, companies and financial organizations. This is because the study intends to help these stockholders in decision making. The study will help in widening knowledge financial statement in investment decision making, it will also make the organization to appreciate the importance of sound financial statement in the provision of information necessary for decision making. It will review the improvement in the organization handling the financial statement and show equally the ways through which improvement could be accomplished finally this research will equally serve as a reference to students in this noble institution and other school who may be interested to embark on a further research study of this nature and above all, report of this study shall definitely add to existing knowledge in research methodology.

SCOPE OF THE STUDY

This study will be limited to a geographical entity known as Nigeria and specifically access bank plc Kano and Katsina branches. The research would cover many banks but the researcher is conscious with time constraints and finance.

LIMITATION OF THE STUDY

There are some limitations encountered by the researcher in the process of this research which limited the scope to only access bank plc branches, some of the limitations are as follows;

- i. Uncooperative attitudes of the respondents; the researcher could not get some necessary information from the respondents because of their negative attitude in their response to the oral interview with the bank officials and the questionnaires.
- ii. Time constraints; despite the time provided, it was not still enough for the researcher to go to all the relevant places like banks and bank etc to get relevant information and due to the combination of project and academics work.
- iii. Financial constraints; financial constraints is also another factor that limited the researcher to go to many branches of access bank and even other banks and organizations.

The researcher lacked finance for transportation, electronic library etc. and as such was limited to only five branches, of access bank plc.

LITERATURE REVIEW

INTRODUCTION

Financial Statements have been widely defined in the extant literature by scholars and experts. Financial statements consists the basic statement of accounts used to convey the quantitative information of financial nature about a business to shareholders, creditors and others interested in the reporting company's financial condition, result of operation uses and sources of funds (Companies and Allied Matters Act 1990 CAMA). Also defines financial statements as reliable financial information about the economic resource and obligations of a business enterprise (Nwoha, 1998).

Financial statement is defined as financial information which is the information relating to financial position of any firm in a capsule form (Gavtam, 2005:215). Financial statement was

defined as a written report that summarizes the financial status of an organization for a stated period of time. It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit (J.A Ohison, 1999).

The basic contents of financial statements include the following:

- ❖ **Balance Sheet:** This is a statement showing the financial position of an enterprise by summarising the assets, liabilities and owners' equity during a given period.
- ❖ **Profit and Loss:** This presents the company's revenue and expenditure for a product. It equally shows the profit or loss generated from the business during a given period of time Ekong (2001).
- ❖ **Cash Flow Statement:** This is a statement showing the flow of cash (that is, cash receipt and payment) in the organisation for a particular period of time.
- ❖ **Notes to the Account:** These are usually explanatory notes to the accounts to give reasons for the figures and information contained in financial statements.
- ❖ **Value Added Statement:** This one report the wealth presented by the company employees, etc. and the distribution of such wealth to pay for all expenditure incurred by it during the period under review.
- ❖ **Historical Financial Summary:** This enables an instant comparison over a period, usually five years. It provides vital information about an organisation with regards to its turnover, profit before and after taxation, dividends, asset employed, issued and paid-up capital and reserves (Meigns 2001).

(Hall 1998). Considered Financial Reporting; is a written message presented on sheets of paper is known as a report Literarily, financial report is written financial information signed, sealed and delivered. It also consider as the process of communicating financial information to decision-makers. It provides information useful for making investment decisions. Its disclosure

provides both quantitative and qualitative information for its user's effective use and reliable decisions (Meigns, 1998).

FINANCIAL REPORT AND DECISION-MAKING

Decision-making is one of the functions of management amongst many other functions that are undertaken by the management of an organisation (Pandey 2000). It is the key to financial managers' success and is very crucial for any business. Managers constantly take actions that affect the firms. For example, the introduction of new products a very important decision to make. Therefore, financial reporting is crucial to decision-makers to make decision on investment, credit policy, marketing strategies, financial, and similar decisions (Kaurdi 1999). Decisions are made out of available information; hence, financial reports should be made available to users periodically.

Meigs and Meigs (1993), financial statements are the principal means of reporting general-purpose financial information to users. There are several users of managers, investors, suppliers, customers, lenders, employee, government and the general public who have vested interest in these financial statements (Glautier and Underdown, 1997, Lewis and Pendrill, 2000; Werner and Jones, 2003; Sutton, 2004; Elliot and Elliot, 2005; IASB, 2006).

The accounting data presented in the financial statements must be relevant and meaningful to the user (Omoleyinwa, 2000). A model of the conceptual view as adopted from Adebimpe (2009).

Michael, (2013) in his critical investigation on the degree of reliance of the published financial statements by corporate investors. He employed survey research design by which data were generated by means of questionnaire administered on one hundred and fifty corporate investors and senior management officials of the selected banks. The descriptive statistics and percentage analysis were used for the data analysis and the hypotheses were tested using t test statistic. The results reveal that one of the primary responsibilities of management to the investors is to give a standardized financial statement evaluated and authenticated by a

qualified auditor or financial experts. It also showed that investors do understand the financial statement well before making investment decisions. The results of the analysis also indicated that investors depend heavily on the credibility of auditors/financial expert approval of financial statement in making investment decisions and as such published financial statement is very important in the investors' decision making.

(Duru, 2012) in his research on the relevance of financial reporting in making appropriate decision by small firms in Enugu state. He found that most small firms do not use financial statement report in making any decision in Enugu.

Amedu (2014) in her research project on the impact of financial statement in decision making in manufacturing company in Niger. She found the financial statement not significance in making decision by manufacturing company in Nigeria.

Similar studies conducted by Barber and Brad, (2006) they found that the generally financial statements have failed in its responsibility of provide credible information for investors and other users of financial statements in Anambra.

Popoola, etal (2014), investigated published financial statement as correlate of investment decision among commercial bank stakeholders in Nigeria. A correlation research design was used in their study. 180 users of published financial statement were purposively sampled from Lagos and Ibadan. Data generated were analyzed using Pearson correlation and regression. The findings of their study revealed that, balance sheet is negatively related with investment decision, while income statement, notes on the account, cash flow statement, value added statement and five year financial summary are positively related with investment decision making. Their findings also revealed that components of published financial statement significantly predicted good investment decision making for commercial bank stakeholders

Mercy (2014) corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions because Investment decision makers rely on information obtained from financial statements to predict future rates of return. Without the financial statement, there will be a problem of how to determine the profit of a

company, and evaluation of performance of a company. The general objective was to ascertain the role of financial statement in investment decision making. The study was based on survey and questionnaire used to gather the information. He discovered from the test of hypotheses that financial statement is relied upon in investment decision making and financial statements are useful for forecasting company's performance.

Otley (2012) argues that financial statement is an important part of the fabric of organizational life and the need to be evaluated in their wider managerial, organizational and environmental context. Therefore the effectiveness of financial report not only depends on the purposes of such systems but also depends on contingency factors of each organization.

Barber and Brad (2006) Financial statements are said to be effective when the information provided by them serves widely the requirements of the users. Effective financial statement should systematically provide information which has a potential effective on investment decision making by the prospective investors. Camejo, Pedro and Geeta Aiyer (2011) discover that the perception of investors about a company's ability affects the market prices of the company's security relative to others in the industry. Financial statement can only be useful if they are well understood published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors.

According to Onyekwelu (2010), the satisfaction of the needs of the various users of accounting information as contained in the annual report can be accepted as the objective of financial statement. This objective of information is emphasized by the various accounting principles because investors and creditors use them in making rational investment and credit decisions. Financial statement fairly represents the business and economic situation of a country, which if studied carefully can lead to the achievement of some financial and economic goals. For instance, the balance sheet provides the observant with a clear picture, of the financial condition of the company as a whole. It lists in detail the tangible and intangible assets that the company owns and owes, while the profit and loss accounts summaries the income and expenditure of a

company in a given period of time. It shows the result of operation during these accounting periods.

Also, Kabir and Kawu (2010) explained that through the use of financial reports that users can assess the project of receiving cash as dividend or interest and proceeds from sales, exemption or maturing securities or loans for instance, cash flow statement shows how cash is predicted to move around at a particular given period of time. It is useful for planning future expense. It shows whether or not there will be enough cash to carry out the planned activities and whether or not the cash coming in will be enough to cover the expenses. It is useful in the determination of the company's liquidity in a given period of time.

Aroh, et al (2011), one of the most important purpose of the annual report is to get the shareholders informed about the financial status of his company, especially as to its income and financial position. The usefulness of financial reports to investors is to assist them to assess the ability of an enterprise to pay dividend and interest when due while to the potential investors, published financial statement is used to decide on the type of security to invest in or which company to invest in. Conclusively, financial reports of accompany should provide information about the economic resources of a company, which are the sources of prospective cash inflows to the company. It should also provide its obligation to transfer economic resources to others which are the source of prospective cash outflow from the company and its earnings which are the financial results of its operation.

Other studies have tested, where after conditioning on several state variables of decisions making, they showed that financial reporting (usually cash flow or in general measures of liquidity) affect investment decision (Fazzari *et. al.*, 1988; Oliner and Rudebusch, 1992; Whited, 1992; Schaller, 1993; Bond and Meghir, 1994; Hubbard *et. al.*, 1995; Goergen and Renneboog, 2001; Vijverberg, 2004). Much of this literature has followed Fazzari *et.al.* (1988) in reported that the decisions making of more financially constrained firms exhibit higher sensitivity to liquidity when compared to less financial constrained firms.

Other firm characteristics may also assist in identifying financially constrained firms. For instance, it would not be hard to defend the argument that the severity of informational asymmetries decreases with firm age, since young firms neither possess a sound nor a long track financial record. Evidence for that was provided by Oliner and Rudebusch (2002) who, having studied US listed firms, found that investment decision is more closely related to cash flow for firms facing relatively more severe asymmetries of information and in most cases, these firms tend to be young.

Osuala, Ugwumbaand, and Osuji (2012), investigated the effect of information content of financial statements on shareholders' investment decisions. The study is vital as it portrays the extent to which shareholders of firms listed on the corporate organisation are influenced by the contents of financial report in their investment decisions. The findings generally indicate that shareholders in the Nigerian corporate organisations do not rely much on financial statements as a major determining factor for their investment decisions. They observed that other factors or variables outside firms' annual reports such as regularity of dividend payment and market price of shares are vital to shareholders their investment decisions.

Peter, (2013) focuses on evaluation of financial reports being instruments for effective managerial planning and decision-making. The objective of his study was to re-establish the relevance of financial reporting in organisational management. In order to achieve this, the researcher administered questionnaire on the staff of WEMA Bank branches in the Western States of Nigeria. The result of the study indicates that financial reporting, as a device for disclosure of organisation's financial dealings can eliminate some problems, resulting from inappropriate planning and decisions.

Siegel (1982) "Quality appears to be an important attribute of accounting information. However, accounting quality is neither a readily measurable nor a generally agreed upon characteristic of a firm." Ten years later, Imhoff (1992) recognized the importance of Siegel's citation and added that accounting quality as a term is used to suggest that all accounting signals may not be equally free of noise due to bias or measurement error or both. From this definition it can be

derived that accounting quality descends from accounting signals, which can be traced back from financial reports. It is worth noting that in this study accounting

Adebayo, etal (2013), Soderstrom and Sun (2007) and (Ball et al., 2000), examine the impact of Financial reporting in assisting organizations in making sound and effective investment decision. The major source of data to their research was primary data through the administration of questionnaires. Regression analysis and Karl Pearson's correlation was used for the data analysis. Their findings shown that financial reporting is an indispensable tool in investment decision making in today's turbulent world. Organizations are however, advised to keep proper records on their finances as it improve their efficiency, effectiveness and their overall performance.

RESEARCH METHODOLOGY

This study was designed to carry out an investigation into the impact of financial reporting in an investment decision making. Data were collected from primary sources. The data was collected through questionnaires administered on the staff of Access Bank branches in Katsina and Kano State.

RESEARCH DESIGN

This study was basically a survey research and therefore required the use of survey method of investigation. In this survey research, a questionnaire is designed to gather information relevant to this project topic. The questionnaire has option Strongly Agree, Agree Undecided, Disagree and Strongly Disagree.

POPULATION OF THE STUDY

The population for this study was all staff members of Access Bank branches in Katsina and Kano States.

SAMPLE SIZE AND SAMPLE TECHNIQUE

The sample size of the study consists of 150 staff members of Access Bank who were randomly selected among the total population.

INSTRUMENTS FOR DATA COLLECTION

The researcher made use of the following instrument in obtaining the needed information;

- ❖ Questionnaire

Through the help of these instruments, it was possible for the research to get the necessary information from the respondents.

SOURCES OF DATA COLLECTION

This refers to where the information originates. In carrying out this study, the researcher made uses of primary sources of data.

METHODS OF DATA COLLECTION

This is the technique used by the researcher to obtain data for analysis. The researcher used questionnaire and personal observation. Formulated questions relevant to the subject matter were used and printed with instructions to guide the respondents and enable them express their opinion.

METHOD OF DATA PRESENTATION AND ANALYSIS

The tools used in analyzing the data include; tables, frequency and simple percentage method and t-test statistic. These tools made it possible for the researcher to make proper analysis of the data which were collected during the course of carrying out the study. The methods are as follows;

VALIDITY OF INSTRUMENT USED

The validity of the instruments used in this research work where highly controlled by the researcher. There is clear information as how to complete the questionnaire by the respondents and the researcher personally administered and collected them to ensure high rate of turn.

RELIABILITY OF THE INSTRUMENT USED

The truthfulness of the instrument used in collecting data cannot be defined. This is because analysis relied on future researchers. Reliability of instrument can be based on the statistical roll employed as used for data analysis. Questionnaires were tested by an accountant who makes it reliable and they assist the researcher in achieving the aims and objective of the research questions and hypothesis which are also to be tested.

DATA PRESENTATION

This chapter presents the analysis of answers to the questions in the questionnaires administered to the respondents. The use of table will be used or adopted to clearly show the responses obtained in each question of the questionnaires and the research hypothesis from chapter one will be used to test hypothesis guiding the study through the use of percentages and t-test statistic techniques.

DATA ANALYSIS

Data were presented on the table 1-13 below, out of 150 questionnaires distributed to the respondents, a total of 150 were returned and completed. Therefore, the totals of 150 questionnaires were used for the analysis and it took the duration of one month for the administration of the questionnaires. The below table shows the distribution of the questionnaires .

Decision Rule

If mean < 2.5, the respondents agree

If mean \geq 2.5, the respondents disagree

Question One: Financial reporting has any impact on investment decision making in your bank?

Table 4.2.1 Responses and Percentage on whether financial reporting has any impact on investment decision making.

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	92	48	4	4	2	1.51	0.79
Percentage %	61.3%	32%	2.7	2.7	1.3		

Source: field survey 2016

In other to the determining whether financial reporting has any impact on investment decision making in your bank, responses in Table 4.2.1 shows that 92(61.3%) respondents strongly agreed, 48(32%) respondents agreed, 4(2.7%) respondents being undecided, 4(2.7%) respondents strongly disagree and 2(1.3%) respondents and a mean of 1.51 strongly disagree that financial reporting has any impact on investment decision making.

Question two: Does the financial reporting reveal the competence of management of the company?

Table 4.2.2 Responses and Percentage on whether financial reporting that reveals the competence of management of the company

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	80	70	0	0	0	1.47	0.50
Percentage %	53.3	46.7	0	0	0		

Source: field survey 2016

Table 4.2.1 shows that 80(53.3%) respondents strongly agreed, 70(46.7%) respondents agreed, 0(0%) respondents being undecided, 0(0%) respondents strongly disagree and 0(0%) respondents and a mean of 1.47 strongly disagree that financial reporting reveal the competence of management of the company,.

Question three: Is it appropriate to believe in the ability of past financial reporting in forecasting future performance?

Table 4.2.3 Response and Percentage on appropriate to believe in the ability of past financial reporting in forecasting future performance

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	120	22	4	2	2	1.29	0.71
Percentage %	80.0	14.7	2.7	1.3	1.3		

Source: field survey 2016

In other to the determining whether it is appropriate to believe in the ability of past financial reporting in forecasting future performance, responses to question Table 4.2.3 shows that 120 respondents representing (80%) strongly agree, 22 representing (14.7%) of the respondents agreed, while 4 representing (2.7%) of the respondents are undecided and 2(1.3%) respondents disagree while 2(1.3%) strongly disagree and a mean of 1.29 of the respondents

that it is appropriate to believe in the ability of past financial reporting in forecasting future performance

Question Four: Is there any relationship between financial reporting and investment decision making?

Table 4.2.4: Responses and Percentage on the relation between financial reporting and investment decision making

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	75	60	5	5	5	1.70	0.94
Percentage %	50.0	40.0	3.3	3.3	3.3		

Source: field Survey 2016

Table 4.2.3 shows that 75 respondents representing (50%) strongly agree, 60 representing (40%) of the respondents agreed, while 5 representing (3.3%) of the respondents are undecided and 5(3.3%) respondents disagree while 5(3.3%) strongly disagree and a mean of 1.70 of the respondents that Is there any relationship between financial reporting and investment decision making.

Question Five: Does the state of the financial reporting influence the investors to buy shares from the company?

Table 4.2.5: Responses and Percentage on whether financial reporting influence the investors to buy shares from the company

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	100	40	5	0	5	1.43	0.72
Percentage %	66.7	26.7	3.33	0.0	3.3		

Source: field survey 2016

Table 4.2.5 shows that 100 respondents representing (66.7%) agreed, 40 representing (26.7%) of the respondents disagree, 5 respondents representing (3.33%) were not decided, 0(0%) disagree and 5 respondents representing (3.3%) strongly disagree and a mean of 1.43 agreed that financial reporting influence the investors to buy shares from the company, responses to question

Question Six: Does the financial reporting of your Bank predict the future financial stand of your Bank?

Table 4.2.6: Responses and Percentage on whether financial reporting of a company predict the future financial stand of a company

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	120	22	4	2	2	1.29	0.72
Percentage %	80%	14.7%	2.7	1.3%	1.3%		

Source: field survey 2016

Table 4.2.6 shows that 120 respondents representing (80%) strongly agree, 22 respondents representing (14.7%) of the respondents agree, 4 respondents representing (1.3%) were not decided while 2 and 2 representing (1.3%) and (1.3%) disagree and strongly disagree respectively and a mean of 1.29 that financial reporting of a company predict the future financial stand of a company

Question Seven: Does the financial reporting affords users the opportunity of using funds flow analysis?

Table 4.2.7: Responses and Percentage on whether financial reporting affords users the opportunity of using funds flow analysis

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	92	48	4	4	4	1.51	0.79
Percentage %	61.3	32.0	2.7	2.7	2.7		

Source: field survey 2016

In other to the determining whether financial reporting affords users the opportunity of using funds flow analysis, responses to question Table 4.2.7 shows that 92 respondents representing (61.3%) strongly agree, 48(32.0%) agree, 4(2.7%) undecided, 4 representing (2.7%) of the respondents disagree, while 4 representing (2.7 %) of the respondents were strongly disagree agree and a mean of 1.51 of the respondents that financial reporting affords users the opportunity of using funds flow analysis.

Question Eight: Does financial reporting help users to know the state of affairs of the Banks?

Table 4.2.8 Responses and Percentage on whether financial reporting help users to know the state of affairs of the Banks

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	75	60	5	5	5	1.70	0.94
Percentage %	80	40	3.3	3.3	3.3		

Source: field survey 2016

Table 4.2.8 shows that 75(80%) respondents strongly agreed, 60(40%) respondents agreed, 5(3.3%) respondents being undecided, 5(3.3%) respondents strongly disagree and 5(3.3%) respondents and a mean of 1.70 of the respondents that financial reporting help users to know the state of affairs of the Banks.

Question Nine: Does the cash flow on investment serve as a tool on investment decision in your bank?

Table 4.2.9: Responses and Percentage on whether cash flow on investment serves as a tool on investment decision in your bank

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	75	60	8	5	5	1.66	0.83
Percentage %	60	40	5.4	3.3	1.3		

Source: field survey 2016

Table 4.2.9 shows that 75(60%) respondents strongly agreed, 60(40%) respondents agreed, 8(5.4%) respondents being undecided, 5(3.3%) respondents strongly disagree and 5(3.3%) respondents and a mean of 1.66 of the respondents that cash flow on investment serve as a tool on investment decision, responses to question.

Question Ten: Is the present value the only tool used for investment decision

Table 4.2.10 : Responses and Percentage on whether the present value the only tool used for investment decision

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	100	40	5	0	5	1.43	0.72
Percentage %	66.7	26.7	3.33	0	3.33		

Source: field survey 2016

Table 4.2.10 shows that 100(66.7%) respondents strongly agreed, 40(26.7%) respondents agreed, 5(3.33%) respondents being undecided, 0(0%) respondents strongly disagree and 5(3.3%) respondents and a mean of 1.43 of the respondents that present value the only tool used for investment decision.

Question Eleven: Do your bank apply ratio analysis for making investment decision?

Table 4.2.11: Responses and Percentage on whether bank apply ratio analysis for making investment decision

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	95	36	10	6	3	1.58	0.84
Percentage %	63.3	24	6.7	4	2		

Source: field survey 2016

Table 4.2.11 shows that 95(63.3%) respondents strongly agreed, 36(24%) respondents agreed, 10(6.7%) respondents being undecided, 6(4%) respondents strongly disagree and 3(2%) respondents and a mean of 1.58 of the respondents that bank apply ratio analysis for making investment decision.

Question Twelve: Does introduction of ratio analysis aid investors in utilizing financial statement?

Table 4.2.12: Responses and Percentage on whether introduction of ratio analysis aid investors in utilizing financial statement

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	55	56	17	11	11	2.11	1.19
Percentage %	36.7	37.3	11.3	7.3	7.3		

Source: field survey 2016

Table 4.2.12 shows that 55(36.7%) respondents strongly agreed, 56(37.3%) respondents agreed, 17(11.3%) respondents being undecided, 11(7.3%) respondents strongly disagree and 11(7.3%) respondents and a mean of 2.11 of the respondents that bank apply ratio analysis for making investment decision.

Question Thirteen: Does understanding of ratio analysis aids in interpreting financial statement?

Table 4.2.13: Responses and Percentage on whether understanding of ratio analysis aids in interpreting financial statement

Options	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std. Dev.
Number of responses	32	10	28	46	35	3.28	1.44
Percentage %	21.3	6.7	18	30.7	23.3		

Source: field survey 2016

Table 4.2.13 shows that 32(21.3%) respondents strongly agreed, 10(6.7%) respondents agreed, 28(18%) respondents being undecided, 46(30.7%) respondents strongly disagree and 35(23.3%) respondents and a mean of 3.28 of the respondents that understanding of ratio analysis aids in interpreting financial statement.

4.3 TEST OF HYPOTHESES

Test of Hypotheses The results for the various tests of hypotheses, which were tested with the t-test statistics, are presented below

In testing this hypothesis, the mean response was tested using the t-test statistic. The results are presented below

HYPOTHESIS ONE

H₀: There is no significance extent to which Financial Statements are used to be relied upon in investment decision making.

H₁: There is significance extent to which Financial Statements are used to be relied upon in investment decision making.

Table 4.3.1 One –Sample T-Test Descriptive Statistics

N	Mean	Std. Dev.	Df	Tcal	Tcri	Remarks
2	1.4900	.02828	1	74.500	6.314	rejected

Table 4 presents the overall mean score of 1.4900 which indicates that the respondents agreed that there is significance extent to which Financial Statements are used to be relied upon in investment decision making.

The calculated t-test value is 74.50. This value is greater than the critical t-test value of 6.314, i.e tcal (74.500) > t crit (6.314) at 5% level of significance. Hence the null hypothesis is rejected and the alternative hypothesis is accepted that Financial Statements are used to be relied upon in investment decision making.

TEST OF HYPOTHESIS TWO

H₀: financial statements are not useful for forecasting bank's performance.

H₂: financial statements are useful for forecasting bank's performance.

Table 4.3.2: Table 4.3.1 One –Sample T-Test Descriptive Statistics

N	Mean	Std. Dev.	Df	Tcal	Tcri	remarks
4	1.4725	0.17	3	17.306	2.353	rejected

Table 4.3.2 presents the calculated t-test value is 17.306. This value is greater than the critical t-test value of 2.353, i.e tcal (17.306) > t crit (2.353) at 5% level of significance. Hence the null hypothesis is rejected and the alternative hypothesis is accepted that which Financial Statements are used to be relied upon in investment decision making.

TEST OF HYPOTHESIS THREE

H₀: financial statement does not determine the profitability of a bank.

H₃: financial statement determines the profitability of a bank.

Table 4.3.3 One –Sample T-Test Descriptive Statistics

N	Mean	Std. Dev.	Df	Tcal	Tcri	Remarks
4	1.5400	.18565	3	16.590	2.353	Rejected

Table 4 presents the overall mean score of 1.54 which indicates that the respondents agreed that Financial Statements are used to determine the profitability of a bank.

As presented in table 5.1, the calculated t-test value is 16.59. This value is greater than the critical t-test value of 2.353, i.e. $t_{cal} (16.59) > t_{critical} (2.353)$. With $p < 0.05$, this result is significant. Hence, the null hypothesis is rejected and the alternative hypothesis accepted accordingly. Therefore, financial statement has importance in the investors' decision making

TEST OF HYPOTHESIS FOUR

H_0 : financial statement does not project new investors.

H_4 : new investors are projected by financial statement

Table 4.3.4 One –Sample T-Test Descriptive Statistics

N	Mean	Std. Dev.	Df	Tcal	Tcri	Remarks
4	2.0475	0.89175	3	4.592	2.353	rejected

Table 4 presents the overall mean score of 1.4900 which indicates that the respondents agreed that there is significance extent to which Financial Statements are used to be relied upon in investment decision making.

As presented in table 3, the calculated t-test value is 4.592. This value is greater than the critical t-test value of 2.353, i.e. $t_{cal} (4.592) > t_{critical} (2.353)$. With $p < 0.05$, this result is significant. Hence, the null hypothesis is rejected and the alternative hypothesis accepted accordingly. Therefore, new investors are projected by company financial statement.

CONCLUSION

In conclusion, it can be said that the going concern of any organisation depends solely on the effectiveness of its policies concerning planning and decision-making. Also, for any organisation to maintain its reputation, respect and dignity, its financial reporting system has to be given proper focus or attention. As observed, financial reporting is very crucial for decision making in the day-to-day activities of an organisation. This is shown in the hypothesis tested where and the alternative hypothesis (H1) accepted in asserting the importance of financial reporting in planning and decision making.

It also provides both quantitative and qualitative financial information to various users. Therefore, management needs to be endowed with an enabling environment to perform their duties diligently. Moreover, financial report is a vital source of financial information. It must be accurate, realistic, complete, timely and efficiently presented to induce appropriate plans and decision such as investment decisions, purchasing decisions, etc. Again, proper and adequate accounting system must be set up in order to encourage accountability, etc. Furthermore, a sound, effective and efficient financial reporting system tends to improve performance in business operations. In the same view, an effectively applied planning and decision-making system contributes to the efficiency of managerial staff. These minimise the problems of insolvency and liquidity and thereby disallowing mismanagement of organisational resources. In the final analysis, it is clear that a deeper understanding of the importance of financial reporting can lead to enhancement of organisational growth and achievement of corporate objectives. Therefore, financial disclosure promotes transparency and accountability of managements as stewards of shareholders. This also facilitates the building of public confidence on the enterprises concerned.

RECOMMENDATIONS

Based on findings from the analysis the following recommendations were made to enhance the effectiveness of financial reporting in planning and decision-making in Banks:

1. From finding of hypothesis one show that there is significance extent to which Financial Statements are used to be relied upon in investment decision making, it is therefore for companies to ensure that all materials used in the preparation of financial statement are kept in a safety place to avoid thief.

2. Findings from hypothesis two indicate that financial statements are useful for forecasting bank's performance, it is therefore recommended that Banks should ensure that their financial records must be accurate, realistic, complete, timely and efficiently presented to induce appropriate plans and decision such as investment decisions, purchasing decisions, etc. Again, proper and adequate accounting system must be set up in order to encourage accountability, etc. Furthermore, a sound, effective and efficient financial reporting system tends to improve performance in business operations. In the same view, an effectively applied planning and decision-making system contributes to the efficiency of managerial staff.

3. The result from hypothesis three findings indicated that financial statement used to determines the profitability of a bank, therefore, banks should provides both quantitative and qualitative financial information to various users, and management needs to be endowed with an enabling environment to perform their duties diligently.

4. Finding from hypothesis four indicated that new investors are projected by financial statement, therefore companies or organisations should ensure that financial statements are publish to encourage new investors to make decision and also financial disclosure promotes transparency and accountability of managements as stewards of shareholders. This also facilitates the building of public confidence on the enterprises concerned.

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