Accounting Information and Loans/Advances: A Study of Selected Nigerian Banks

Gbalam Peter Eze (PhD)
Department of Finance & Accountancy
Niger Delta University,
Wilberforce Island, Bayelsa State,
Nigeria

Abstract
The study looked at the impact of accounting information on loans and advances using selected banks in Nigeria. The identified problem motivating the study stems from the misunderstanding on the path of many investors on the importance of proper interpretation of the role of financial statements in financial information dissemination. The objective of study being to determine if accounting information has significant association in advancement of loan and advances in deposit money banks. The methodology used was the regression analysis of information through the use of questionnaires, the computer statistical package employed for this being the SPSS. The research found out that there were significant relationships between accounting information and loans and advances. The tests for the association between accounting information and advancement of loan and advance reveals significant results in (correlation coefficient = .845; and P < 0.05) indicates strong level of significant relationship; between accounting information and advancement of loan and advance (correlation coefficient = .845; and P < 0.05). This informed the rejection of the null hypothesis and acceptance of the alternate. Therefore, this study recommended the use of (statement of financial position) in advancement of loans and advances by deposit money banks. This research is recommended to academics as it adds to the existing literature and charts a course for continued research on the sensitivity of financial information on loans and advances of deposit money banks for optimum investment decision.

Keywords: *Accounting information, loans/advances and selected Nigerian banks*

1.0 Introduction

Financial statements contain information relevant to the operating performance and financial position of a firm. Financial statements are perhaps the most important source of information for evaluating the wealth and prospects of a firm (Okanta, 2011). Ama (2000), opined that financial statements contain summarized information of a firm's financial affairs. The statements are means of communication to interested parties, information on the resource, obligation and performance of the reporting enterprise. In line with the view cited above, financial statement which is the product of accounting plays a significant role in investment decision. Investors cannot make efficient and effective decision without financial statement. An investor is an individual or a corporate agent that engage in an investment for returns. In other hand, investment is a sacrifice of current money or other resource for future benefits (Prasanna, 2009). For specific purpose, the investors use in this research work, are banks and its creditors. Bank is a financial institution/intermediary that offers loans, deposits and payment services (Casu, Giradrdone and Molyneux, 2006). Banks engage in investments especially short term investment, because of the nature of their equity. Bank engages in different types of portfolio investment, which includes: loan and advances, syndicate, and hard risk assets. Moreover, investments cannot be made by its self, in same way; investors (i.e. banks) cannot make investment without coming to a conclusion. Therefore that conclusion becomes the decision.

As viewed by Nwachukwu (2007), a decision is the selection of alternative course of action from available alternatives. A decision not to act (invest) or to postpone (investment) is a decision. This means that the absence of a decision is a decision. According to Welhrich & Koontz (2005), decision making is defined as the selection of a course of action from among alternatives; and it is at the core of planning. With reference to all the cited scholars, investment decision cannot be made in vaccum, which means that investment decision is dependent to financial statement or accounting information. Therefore, for banks to engage in investment a critical analysis has to be carried out, in order to compare the different performance of companies, through the gathered accounting information, which is sourced from the financial statements of the different companies. Thus, notwithstanding the limitation of financial statement, the core purpose of financial statement is to assist banks or its users to make informed and better investment decision. Therefore, this topic is built to identify those roles financial statement play in investment decision for deposit money banks.

1.1 Brief history of banks

1.1.1 Fidelity Bank plc

For the purpose of this research, Fidelity Bank plc Mayor branch, Enugu state is among the selected bank, which is use as a case study for this academic research. According to google.com (electronic library) Fidelity Bank Plc was established in the year 1974 and began it operation in the year 1998, as Fidelity Union Merchant Bank Limited. By 1990, it has distinguished itself as the fastest growing merchant bank in the country and in 1999; it was converted into a commercial bank and then become a universal bank in February, 2001 with a license to offer commercial, consumer and investment banking services.

The current enlarged Fidelity Bank is the result of the merger with the former FSB, International Bank Plc and many bank Plc (under the fidelity brand name) in December 2005. Fidelity Bank is today among the top 1000 and top 25 banks in the world and Africa. It has $729 million as shareholders fund and is the 802 bank in the 1000 top World Bank ranking. Over the years, the bank has been reputed for integrity and professionalism, it is also respected for the quality and stability of its management, Fidelity Bank also enjoys the respect and partnership of a network of offshore institutions with which it has correspondence banking, confirmation lines, credit and other relationship.

Based on the oral interview with the bank officials, on 3rd of April 2018,at Mayor bus stop, Enugu state. The branch was commission in the year 2012, with 30 staff. The bank use financial statement and 5cs (capital, credibility, character, capacity and condition) in assessing investors incase of loan and advance.

1.1.2 United Bank for Africa

United Bank for Africa is among the selected bank for this research work. United bank for Africa (UBA) is the product of acquisition of Nigeria third rich and largest bank, namely the old UBA and the standard trust bank plc (STB) respectively and subsequent acquisition of the Continental Trust Bank (CTB). The Union emerged as the first successful corporate combination in the history of Nigeria banking sector. Our history dates back to the following of the old UBA in 1961, and the STB and CTB both in 1990.

Today, United Bank for Africa is positioned as the 5th largest bank in Nigeria with shareholders fund of $1.004 billion, ranked 18th in Africa and 670 in the global top 1000 banks. Thus, base on the oral interview initiated by the researcher with the bank officials on 3rd of April, 2018, at Garrki branch in Enugu State. The branch was commission on April, 2007 with the work force

22 staff. The bank use financial statement and 3Cs (credibility, liability and integrity) in assessing investors incase of loan and advance.

1.2 Statement of research problem

The identified problem motivating the study stems from the misunderstanding on the path of many investors on the importance of proper interpretation of the role of financial statements in financial information dissemination. Financial statement is not an end but a means to an end. Those figures are not in themselves basis for investment decisions unless the financial figures are expressed between or among themselves. Therefore, the importance and the benefits derivable from a careful analysis of this statement as a basis for bank investment decision cannot be over emphasized. However, where the financial statements are not properly analyzed, using unrelated accounting principles, procedures and conventions, it will result to the misunderstanding of the financial statement, in return lead to wrong investment decision. A careful study reveals some factors as constituting impediments of right investment decision. Firstly, ignorance on the part of most investors, who don't see the need of financial statements as a guide for better informed investment decision.

Secondly, most investors who have access to the financial statement just look at it as mere figures and don't really know what to do with these figures in term of interpretation for better informed investment decisions.

1.3 Research objective

The research objective is to determine if accounting information has significant association in advancement of loan and advances in deposit money banks.

1.4 Research hypothesis

H_o: There is no significant association between accounting information and advancement of loan and advances of deposit money bank.

2.0 Literature review

Perusing a definition for financial statement is the starting point of reviewing literature on the aspects of role of financial statement. According to Atrill and Mclancy (2004), financial statements are designed to provide a picture of the overall financial position and performance of the business. Financial statement is the accounting reports in respects of economic activities of an entity, prepared periodically and usually at the end of an accounting period, used as vehicles to communicate the performance of an entity to its stakeholders (Udo, 2014). As Opine by Zubairus (2014), financial statement is the collation of financial data in a summarized form, which constitute profit or loss account and statement of financial position (balance sheet). Alongside with Allied Reports, they make up Annual Report for organizations. Financial statements are identified as historic in nature, even when they are used to forecast happenings in future, but they are not used in isolation of existing variables such as; changes in economic and social factors, anticipated changes in the direction and magnitude of technological innovations and applications and political issues (local and international).

In reference to IFRS (2014), IAS sees financial statement as those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs. The framework for the preparation and presentation of financial statements states in paragraph 25 that "users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence". Moreover, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decision. Therefore, financial statements provide stakeholders with information about the entity's financial position, financial performance and cash flows by providing information about its assets, liabilities equity, income and expenses, other changes in equity and cash flows (Ama, 2015).Financial statements analysis maybe done for a variety of purposes, which may range from a simple analysis of the short-term liquidity position of the firm to a comprehensive assessment of the strengths and weaknesses of the firm in various areas, (Prasanna, 2013).

Thus financial statement helps in financial analysis of companies. Financial analysis is the use of financial statement to analyze a company's financial position and performance and to assess future financial performance (Wild, Subramanyam& Halsey, 2007).Virtually, corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decision, because investment decision makers rely on information obtained from the financial statements to predict future rates of return, which is done through financial analysis. Thus, without the financial statement, there will be a problem of how to determine the profit/loss of the company, the weakness and evaluation of the performance of the company.

2.1.0 Features of financial statement

According to IFRS (2014), the two general features of financial statements are:

i. Financial statement shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, seller events and considerations in accordance with the definitions and recognition criteria for asset, liabilities, income and expenses set out in the frame work.

ii. An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. In addition

iii. Financial statement is expressed in monetary terms.

iv. Financial statement always relates to past period and hence there are called historical cost document.

2.1.1 Users of financial statements

The persons who receive accounting reports are termed users of financial statements. The type of information a specific user requires from the financial statements, varies based on kind of decision the person wants to make or is embarking upon. That is, financial statement is user oriented. The various users of financial statements can be grouped into two broad divisions which are:

- **a.** Internal users
- **b.** External users

The internal users are as follows:

i. Management Team: This is the management of the entity itself. They are concerned with the overall financial worth of the enterprise. Management has the overall responsibility to see that the resources of the firm are used most effectively and efficiently and that the firm's financial position is always sound. They need the financial statement for planning, controlling and decision making on the day to day operations and long range (strategic) plan of the organization.

ii. **Employees**: Employees and trade union are more concerned about long term survival and profitability of the firm, as such its ability to pay higher wages, salaries, bonus and better working condition.

The external users are as follows;

i. Public: They are interested in many ways especially the economic life and the standard of living.

ii. Customers: Customers who buy or subscribe for the services or goods of the firm are more concerned about the long-run survival of the firm to continue to supply goods or services.

iii. Stock Exchange: Stock exchange may derive several conclusions from the figures of financial statement such as performance, profitability prospects of change in the share value and wealth of the company.

iv. Educational/Research Institutions: They require the accounting information for teaching and research purpose.

v. Potential buyers: Potential buyers of the firm through acquisition or merger are more concerned about the potential profitability of the firm in the future as such they decode on the reasonable price to pay and the actions to be taken on the purchase of the firm or merger.

vi. Government: They study the financial statement of a company to enable them impose tax on profit earned.

vii. Banks and other financial institutions: They study a company's financial statement to enable them grant loans for investment with the expectation of interest in return.

viii. Suppliers: Suppliers of long term debt would be more concerned with the firm's long-term solvency and survival. They analyze the firm's profitability over time, its ability to generate cash to be able to pay interest and repay principal and the relationship between various sources of funds (Capital Structure relationship).

ix. Trade Creditor: Trade creditors like suppliers and other short term. Lenders are more interested in the firm's ability to meet their claims over a very short period of time.

x. Prospective Investors: Investors who wish to become shareholders of the firm are more concerned about the firm's long-run survival and earnings. They bestow more confidence in those firms that show steady growth in earnings. As such, they concentrate on the analysis of the firm's present and future profitability.

2.1.2 Attributes of an ideal financial statement

Ama (2010) defines financial statement as a means of communicating to interested parties, information on resources obligation and performance of the reporting entity or enterprise. Some important attributes of an ideal financial statement are;

i. Relevance: For information that is disclosed in the financial statement to be useful at all, that is, it must be associated with the decisions it is designed to aid and facilitate.

ii. Verifiability: It means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

iii. Timeliness: It means having information available to decision-makers in time to be capable of influencing their decision.

iv. Understandability: That is, classifying, characterizing and presenting information clearly and concisely.

v. Comparability: This is the qualitative characteristic that enables users to identify and understand similarities in, and difference among items.

vi. Consistency: It refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities.

v. Completeness: It includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations.

2.1.3 The role of financial statement in investment decision

The aim of financial statement is to provide financial information about an entity to interested parties. The information contained interpretations derived from the analysis of the reported data. The interpretations and decisions unveil the essence of financial statements as the major custodian of financial information necessary for any investment decisions. Investment decisions are not made on a vacuum; hence, there are bedrocks on which it will stand. One major tool for these investment decisions is the ratio analysis. Ratio analysis is the judgmental process which aims at evaluating the current and past financial positions and the results of an entity's, the primary objectives of determining the best possible estimate about the future conditions and performances. It provides a quick diagnostic look at an entity's financial health and trigger off subsequent financial and operational analysis (Okwoli, 2008).

Several ratios exist but this research work will only x-ray the major ones that are used in investment decision. The major issue to note is that financial statement is the key source of the raw materials for the investment decisions.

2.1.4. Ratio analysis

According to Ama (2000), ratio is defined as a statistical relationship between figures which aim at highlighting desirable features. Ratio is defined as "the indicated quotient of two mathematical expressions" and as the relationship between two or more things". In financial analysis, ratio is used as a benchmark for evaluating financial position and performance of a firm, (Pandey, 2006). Equally, Okanta (2011) opined that the real value of financial statement lies in the fact that they profits and dividends from an investors standpoints, predicting the future is what financial statement analysis is all about. One means of financial statement usage for both managers and potential lenders and investors is via financial ratio analysis. We can also use the intra-company or inter-company type of financial ratio to analyze financial statement.

2.1.5 Type of ratios

The following are types of ratios;

- Short term solvency and liquidity ratios
- Efficiency/profitability ratios
- Investors/shareholders ratios
- Long term solvency and stability ratios

Brief explanation of some listed ratios

A. **Short term solvency and liquidity ratios:** It comprises

i. **Current or working capital ratio:** this ratio measures the ability of a company to meet its current liabilities as when due, out of its current assets.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

ii. **Quick assets ratio:** This ratio expresses the relative amount of cash and other assets that can be easily converted to cash that are available to meet current liabilities.

$$\text{Quick ratio} = \frac{\text{Current asset} - \text{stock}}{\text{Current liabilities}}$$

iii. **Debtors' collection period (DCP):** It measures the average number of days for which trade debts remain uncollected.

$$\text{DCP} = \frac{\text{Average trade debtors}}{\text{Credit sales}} \times \frac{\text{365 days}}{1}$$

iv. Debtors' turnover: It expresses the number of times trade debtors are turned over during the reporting period.

$$\text{Debtors turnover} = \frac{\text{Credit sales}}{\text{Average trade debtors}}$$

vi. Creditors' turnover: It measures the number of time trade creditors are turned over during the period.

$$\text{Creditors' turnover} = \frac{\text{Credit purchases}}{\text{Average trade creditors}}$$

vii. Stock-turnover ratio: It measures the physical turnover of trade stock during the period.

$$\text{Stock turnover} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

B. Efficiency ratios: It includes:

i. Return on capital employed (ROCE): It shows the overall profitability of the business.

$$\text{ROCE} = \frac{\text{Profit}}{\text{Capital employed}} \times \frac{100}{1}$$

ii. Gross profit %: This ratio shows the average gross profit on goods sold.

$$\text{Gross profit \%} = \frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$$

iii. Net profit to sales %: It expresses the relative profitability of the business after taking into account all incomes and all expenses.

$$\text{Net profit to sale \%} = \frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$$

iv. Expenses %: This ratio show the relative weight of each item of expense in relation to total expenses.

$$\text{Expenses \%} = \frac{\text{Individual expenses}}{\text{Sales}} \times \frac{100}{1}$$

C. Investors ratios: it includes:

i. Earnings per share (EPS): It gives an indication of the amount of net profit after tax and preference dividend attributable to each ordinary share in issue and ranking for dividend during the period.

$$\text{E.P.S} = \frac{\text{PAT – Preference dividend}}{\text{No. of issued ordinary shares ranking for dividend}} \times \frac{100}{1}$$

ii. Price/Earnings ratio: It measures the number of year's purchase of the earnings of the company.

$$\text{P/E ratio} = \frac{\text{Marketing price per share (MPS)}}{\text{EPS}}$$

iii. Earnings yield (EY): This ratio shows potential return on the shareholder's investment.

$$\text{Earnings yield} = \frac{\text{EPS}}{\text{MPS}} \times \frac{100}{1}$$

iv. Net assets per share (NAPS): This ratio indicates the amount of net assets attributable to each ordinary share in issue.

$$NAPS = \frac{\text{Net asset minus preference share capital}}{\text{No. of issued ordinary shares ranking for dividend}}$$

v. Dividend per share (DPS): It shows the amount of gross dividend declared on every issued ordinary share ranking for dividend in the year.

$$DPS = \frac{\text{Ordinary dividend}}{\text{No. of ordinary share}}$$

vi. Dividend payout ratio (DPR): It shows what percentage of the company's distributable earning is being paid to the ordinary shareholders in the form of dividends.

$$D.P.R = \frac{DPS}{EPS} \times \frac{100}{1}$$

vii. Dividend yield (DY): It measures the current actual return on the shareholder's investment.

$$D.Y = \frac{DPS}{MPS} \times \frac{100}{1}$$

viii. Dividends cover ratio: It measures the number of times ordinary dividend is covered by distributable earnings.

$$DCR = \frac{EPS}{DPS} \times \frac{100}{1}$$

D. Long term solvency and stability ratios: It includes;

i. Gearing ratio: It measures the degree of vulnerability of the company to the financial risk attaching to fixed interest securities.

$$\text{Gearing} = \frac{\text{Fixed interest loans + preference share capital}}{\text{Ordinary share capital + Reserve}}$$

ii. Fixed interest cover: This ratio is a measure of time fixed interest is covered by profit.

$$\text{Fixed interest cover} = \frac{\text{Net profit}}{\text{Fixed interest}}$$

iii. Long term debts to shareholders funds: It measures the extent of cover for fixed liabilities such as loans and debentures.

$$= \frac{\text{Long Term Debt}}{\text{Shareholders' fund}}$$

iv. Total debts to shareholders fund: This ratio is a measure of the solvency of a business and indicates the extent of cover for external liabilities.

$$= \frac{\text{Long term liabilities + Current liabilities}}{\text{Shareholders' funds}}$$

2.1.6 Types of investment

The following are types of investment as listed below;

- Investment in financial assets
- Investment in real assets
- Expansion of existing business
- Expansion of new business
- Replacement and modernization
- Mutually exclusive investments
- Independent investments
- Contingent investment

Explanation of some types of investments, which are;

1. **Expansion and diversification:** A firm may decide to add more capacity of its existing product line to expand existing operation. Sometime a firm may expand its activities in a new business. Note, the expansion of a new business requires investment in new activity within firm (revenue expansion investment).
2. **Replacement and modernization:** The main objective of modernization and replacement is to improve operating efficiency and reduce costs. Cost saving will reflect in the increased profit, but the firm's revenue may remain unchanged. Assets become outdated and obsolete with technological changes. The firm must decide to replace those assets with new assets that operate more economically. Therefore, it is referred to as cost reduction investment.
3. **Mutually exclusive investment:** This investment serves the same purpose and competes with each other, if one investment is undertaken others will be excluded.
4. **Independent investment:** The investment serves different purposes and do not compete with each other. Depending on their profitability and availability of funds, the firm can undertake both investments.
5. **Contingent investment:** These investment are dependent projects, the choice of one investment necessitates undertaking one or more other investments.
6. **Investment of real assets:** these are income generating assets, the productive capacity of an economy are a function of the real assets of that economy.
7. **Investment in financial assets:** this is the allocation of income or wealth among investors. When individual decodes to choose to invest their current endowment for future gain they may choose to hold financial assets. Thus, the money a firm receives when it sells it securities to investors is used to purchase real assets. Therefore, financial assets can then be properly viewed as the means by which individuals hold their claim on real assets, (Nigerian Bankers, 2017).

2.1.7 Investment planning

Investment planning is the placing of funds into the proper investment vehicles based on the investors' future goals, time horizon and priorities. It also takes into consideration the safety of the investments, as well as liquidity and level of return. Proper investment planning will allow the investor's fund to produce financial reward over time.

Factors that influence investment planning

According to the Nigerian Banker (2017), factors that influence investment planning are;

i. Past Market Trends: Sometimes history repeats itself; sometimes markets learn from their mistakes. You need to understand how various asset classes have performed in the past, before planning your investment and your risk appetite. The ability to tolerate risk differs from person to person. It depends on factors such as your financial responsibilities, your environment, your basic personality, etc. Therefore, understanding your capacity to take on risk becomes a crucial factor in investment decision making.

ii. Investment horizon: How long can you keep the money invested? The longer the time-horizon, the greater are the returns that you should expect. Further, the risk element reduces with time.

iii. Investible Surplus: How much money are you able to keep aside for investments? The investible surplus plays a vital role in selecting from various asset classes as the minimum investment amounts differ and so do the risks and returns. Investment need. How much money do you need at the time of maturity? This helps you determine the amount of money you need to invest every Month or year to reach the magic figure.

iv. Expected Returns: The expected rate of returns is a crucial factor as it will guide your choice of investment. Based on your expectations, you can decide whether you want to invest heavily into equities or debt or balance your portfolio.

2.1.8 Concept of Bank and Bank Lending

According to Black (2003), bank is a financial institution whose main activities are borrowing and lending money. Banks borrow by accepting deposits from the general public or other financial institutions. Bank loans are an important source of finance for firms, consumers and government. Bank is a financial intermediary that offers loans and deposits and payment services (Casu, Giradrdone & Molyneux, 2006). Bank is an institution which processes credit and facilitates lending operation as well as accepting deposits and making advances. It allows for the issuance of money, facilities and payment processing including automated payment. It facilitates all forms of electronic banking services internally and externally. The word "bank" itself is a space for disbursement of funds. The meaning of the word "exchange" in the economy is the swap of the national currency of any other foreign currency or vice versa, and this is called the exchange or currency exchange rate.

Therefore, deposit money banks have important role which is to accept all types of deposits and perhaps the act as agent in providing variety of investment opportunities, these includes, Treasury bill and Treasury certificate, loan and advances, certificates of deposit and other type of financial transactions. Bank lending involves two approaches: the liquidation and going concerning approach. The former is also known as a "real bills" doctrine. The liquidation approach looks mainly to the assets of the borrower as security for the loan. It implies a short term rather than a long term view of borrower prospects and usually involves taking in charge of his assets. The "going concern approach" is the ability to offer some tangible assets as security for the loan. Finally, changes in maturities of bank loans and deposits, have certain notable changes in the relative maturated earlier during the 1970s and 1980s, the proportion of long term deposits in the total bank deposits has increased considerably. However, deposit money bank deal on short-term and long term investment.

2.2 Theoretical Framework

Theories relevant to this work are reviewed under the following headings; theory of financial statement and theory of investment.

2.2.1. Tobin's theory

Tobin was a macroeconomist and in 1969, propounded the q-theory. If is based on the premise that investment decision is dependent upon the ratio of the market value (MVA) of a firm's financial assets to the cost of Asset Replacement (CRA) from this theory.

$$q = \frac{MVA}{CRA}$$

On the short run, q// 1 because of lags and disequilibria, but in the long run, the lags are eliminated and equilibrium is regained, hence q= 1. As a guide to investment decision making; when

q > 1 – rational investment decision
q < 1 – irrational investment decision

2.2.2 Portfolio Theory

According to Markowitz (1980), he first drew attention to the practice of portfolio diversification by individual investors as a means of reducing the impact of risk. The new models based mainly on portfolio theory concepts are still at an early of development and still have to overcome some implementation problems. The optimal estimation of parameters (e.g. the estimation of portfolio risk) is still unsettled issues. As a consequence, for most financial decisions there are either no models available or only highly simplified ones. Given the inadequacies of models or their absence, the potential usefulness of financial statement is far reaching.

Affirmatively, portfolio theory of investment decision or choice explain the relationship between investment and interest rate which states that the demand for an investment taken as a proportion of total investment varies directly with its own interest rate and inversely with interest rate on substitute investment. According to Paul (2008), this theory is based on the following assumption; the investors are risk-averse, the securities has its own return with associated probability (Pi) and that by identifying efficient portfolios, analyzed information for each security on its expected returns is required, which the information can only be source through the financial statements of the name company, for appropriate analysis of risk involve, against investment decision.

Finally, Michael (2013), in his study, investigated the degree of relevance of published financial statements to corporate investors. The study employed survey research design by which data were generated by means of questionnaire administered on 150 corporate investors and senior management officials of the selected banks. The study used descriptive statistics, percentage analysis and t-test statistic in testing the hypothesis. The result reveals that the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor’s or financial experts. Thus, in this condition, investors wholly depend on the statement for investment decision; therefore, he recommended that adequate care and diligence should be maintained in preparing financial statements to avoid faulty investment decision which could lead to loss of fund and possible litigations.

2.2.3 Summary of review of related literature

The review of related literature is done under the following headings: conceptual issues/reviews, theoretical and empirical reviews. The study also reviewed the following concepts; financial statement, investment and bank. Theories relevant to this work reviewed are; Portfolio theory & Tobin’s theory. The empirical reviewed in this work indicated a gap in area of treasury bill, treasury certificates and loan and advances in relationship to financial statement. The researcher, employed ordinal regression and spearman ranking correlation coefficient in testing the hypotheses against other statistical tools like chi-square(X^2),f-statistics, pearson correlation test are used in other studies reviewed.

Therefore, this study examined role of financial statements in investment decision; a study of selected banks in Enugu State, in order to provide empirical evidence to this gap.

3.0 Research methodology

This chapter outlines the processes and techniques adopted to achieve the objectives of the study as stated. This chapter is undertaken under the following headings: research design, scope of the study, selection and collection of data, design and administration of questionnaire, population, sample size determination and sampling technique, reliability and validity of data, and technique of data analysis. According to Ukandu, Azubuike and Nwachukwu (2014), research design is a blueprint that guides the researcher in his or her investigation and analysis. As a result of the nature of this study, cross-sectional survey design which is a variant of the survey research design was adopted since the study is carried out across 2 banks in Enugu State, Nigeria. As rightly observed by Ezejelue, Ogwo & Nkamnebe (2008), a cross-sectional survey consists of gathering data from the population of interest measured on a number of characteristics, which are thought to be relevant to the area of research interest.

The sample size of banks studies in this research is 2, they include; UBA and Fidelity banks of Nigeria in Enugu State. Information was sought majorly from managers and accountants to enhance reliability. Investment decision of most banks surveyed include; treasury bill, treasury certificate; syndicate, future market, hard risk asset and loan and advances. **T**he primary data sourced consists the use of structured questionnaire and personal interview as tools for extracting information necessary for the study. The nature of this research makes this source of information gathering unavoidable. While the secondary data sourced include journals, textbooks, research report, internet, and other published and unpublished data. As noted by Anastasi (1969), data collection refers to obtaining relevant information regarding to the ideas of the hypothesis of the study for purposes of demonstrating whether or not they are valued or reliable. Thus, the researcher used questionnaire and personal interview to generate such information.

The questions were fully structured. Fifty two questionnaires were distributed. The questionnaire has two parts: the preliminary questions part and the main part. The preliminary questions part yielded background information about the banks operators (staff). The main questions part yielded responses that enabled the researcher to achieve the objectives of the study. fifteen questions were asked in the main questions part, of which all were structured in the Likert scale with five options as follows: strongly agreed (5), Agreed (4), undecided (3), disagreed (2) and strongly disagreed (1) format, and the rest of the questions in preliminary part were structured in the order that listed options were provided from which the bank staffs and managers choose. The questionnaire was administered based on proximity, access to information and representativeness. Through administration of the questionnaire the researcher interacted and interviewed some staff of the bank, thereby obtaining a more comprehensive viewpoint and reliable information which enhance the analysis and interpretation of data.

The population of this study is twenty two (22) banks in Enugu State. This is the total number of licensed deposit money bank in Nigeria. This figure is obtained from central bank of Nigeria. Sample frame is a list of every member of the population from which few is drawn, (Eboh, 2009).The researcher adopted the convenience sampling technique to obtain the sample size. Convenience sample are sometimes called an “accordant”. Thus, Based on modern and traditional bank demarcation approach in conjunction with proximity and accessibility of banks, united bank for Africa and Fidelity bank Plc were selected as the case study of this research work. The research adopted convenience sampling techniques which made it possible for the two banks in Enugu State to be represented in the sample size determined above (see table 1 below).

Table 3.1: Distribution of the population and sample for the study by banks

S/N	BANK	NO OF STAFF	SAMPLE
1	UBA	22	22
2	Fidelity	30	30
	Total	52	52

Source: Field Survey, 2018

Aczel & Sounderpandia (2006) described validity of study as the ability of a test to measure what it purports to measure The validity of this study was measured based on the face and content of the questionnaire use for extracting the data from the respondents. In order to enhance both face and content validity of the research instrument, the reliability of instrument was based on the statistical roll employed as used for data analysis. Questionnaires were tested by an accountant who makes it reliable and they assisted the researcher in achieving the aims and objectives of the research questions and hypothesis which are also to be tested. This aspect of the study looks at how the researcher measures the variables, dependent and independent variables of the hypotheses. The dependent variable is decomposed into Treasury bill, treasury certificate and loan and advance, while the independent variable is financial statement.

In the hypothesis (Ho), there is no significant influence between accounting information and advancement of loan and advances by deposit money bank. The main dependent variable is loan and advances and it is measured by accounting information which is the independent variable

Decision rule

Decision rule is based on a 0.05 > P > 0.05 critical region.
Where:
P<0.05 for rejection of null hypothesis
P>0.05 for acceptance of null hypothesis
P = Probability value
0.05 = Level of significance at two tailed (95% confidence interval).
As for spearman correlation coefficient, the general rule state's that, when the **r** value tends towards;
1 it is a perfect correlation
Between 0.7 and 0.9, it is a strong correlation
Between 0.4 and 0.6, it is a moderate correlation
Between 0.1 and 0.3, it is a weak correlation
When the score is 0, it is zero correlation
Again the value of **r** can be positive or negative

4.0 Data analysis and discussions of findings

In this chapter data were presented, analyzed and interpreted for easy and fast comprehension by the users. As noted in chapter three, these analyses were carried out using such research tools as table, frequency; cumulative frequency, simple percentage; regression and Spearman ranking correlation analysis. Hypotheses one and three was analysis using the ordinal regression which is known as simple regression while hypothesis two was analysis using the Spearman ranking correlation coefficient. SPSS version 20 was applied for the test of hypotheses. It should however, be noted that only those data that are applicable in addressing the objective of the study, helpful in answering the raised research questions, and significant in testing the stated hypotheses were analyzed in this chapter.

Data presentation

Table 4.1 Distribution and return of questionnaire

No. Distributed	52	100%
No. Correctly filled and returned	40	77%
No. Either not filled or correctly filled	12	23%
Percent (%)	77%	23%

Source: *Field survey, 2018*

A total of 52 copies of questionnaire were distributed to the respondents 40 which represent 77% of the total distributed questionnaires were properly completed and returned. Also 12 questionnaires representing 23% were not returned. Therefore, this analysis will be based on the 40 copies of properly completed questionnaires retrieved from the respondents.

4.2 Data analysis

The research employed simple percentage to analyze data from the questions in the questionnaire.

SECTION A: Table 4.2 respondent's profile analysis

Table 4.2.1 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	17	42.5	42.5	42.5
	Female	23	57.5	57.5	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Table 4.2.2. Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	14	35.0	35.0	35.0
	Single	23	57.5	57.5	92.5
	Divorced	3	7.5	7.5	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Table 4.2.3. Age Range

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	24	60.0	60.0	60.0
	31-40	10	25.0	25.0	85.0
	41 and Above	6	15.0	15.0	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Table 4.2.4. Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OND/NCE	7	17.5	17.5	17.5
	HND/BSC	28	70.0	70.0	87.5
	Masters and Above	5	12.5	12.5	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Table 4.2.5. Year Spent in Organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	13	32.5	32.5	32.5
	6-10 years	19	47.5	47.5	80.0
	10 years and above	8	20.0	20.0	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Table 4.2.6. Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior	10	25.0	25.0	25.0
	Junior	30	75.0	75.0	100.0
	Total	40	100.0	100.0	

Source: *SPSS Output, 2018*

Participants in this study were drawn from a total of 40 lower and senior staff of the selected bank understudy. Looking at figure 4.2.3, it can be concluded that age interval of 21 – 30 years recorded the highest number of respondents with 60%, while the age interval of 41 and Above recorded the lowest number of respondents with 14%. Figure 4.2.4 show that HND/BSC education recorded the highest number of respondent with 70%, while that with Masters and above education is the least number of respondents with 12.5%. In Fig. 4.2.5, the respondents with highest length of service are 11 and above which is 55% while the least length of service is below 5 years with 14%. This implies that the study participants were competent enough to respond appropriately to the questionnaire that sought to establish the effect of environmental strategy on corporate performance.

Research question: Are there significant association between accounting information and advancement of loan and advances in deposit money bank?

Table 4.3 Responses from research question number two.

Questions	SA	A	UD	D	SD	Total
The net asset of customer affects the loans and advances,	24	8	3	3	2	40
Bank credit score influenced the loans and advances position	30	6	2	1	1	40
The working capital position of a company affects the approval of loan and advances	25	8	2	3	2	40
The net profit on income statement facilities the approval of loans and advances	21	11	5	2	1	40
The positive cash flow statement affects the approval of loan and advances.	25	10	3	1	1	40
Total	**125**	**43**	**15**	**10**	**7**	
Average Total	**25**	**9**	**3**	**2**	**1**	**40**
Percentages	**62**	**22**	**8**	**5**	**3**	**100**

Source: *Field survey, 2017*

Table 4.3 shows the responses of respondents on if there is any significant association between accounting information and advancement of loan and advances in deposit money bank. From the table, it shows that on the average total respondents we have 25(62%) respondents, 9(22%) respondents, 3(8%) respondents, 2(5%) respondents and 1(3%) respondents respectively opted for strongly agreed, agreed, undecided, disagreed and strongly disagreed on the statement on significant association between accounting information and advancement of loan and advances in deposit money bank. The information contained in the table shows that majority of the respondents agreed that there is a significant association between accounting information and advancement of loan and advances in deposit money bank.

4.4 Test of hypotheses

This section analyzed the hypotheses formulated earlier on. Almost all the research questions have been analyzed using the descriptive method adopted. The hypotheses are tested using ordinal regression also known as simple regressions for the three hypotheses.

H_0: There is no significant association between accounting information and the advancement of loan and advance in deposit money bank.

H_1: There is a significant association between accounting information and the advancement of loan and advance in deposit money bank.

Statistical testing of the above hypothesis

Let **X** represents accounting information

Let **Y** represents advancement of loan and advance

The main dependent variable is advancement of loan and advance and it is measured by accounting information which is the independent variable.

Correlations

			Advancement of loan and advance	Accounting information
Spearman's rho	Advancement of loan and advance	Correlation Coefficient	1.000	.845**
		Sig. (2-tailed)	.	.000
		N	40	40
	Accounting Information	Correlation Coefficient	.845**	1.000
		Sig. (2-tailed)	.000	.
		N	40	40
		Sig. (2-tailed)	.000	.000
		N	40	40

1.
**. Correlation is significant at the 0.01 level (2-tailed).

Result: The tests for the association between accounting information and advancement of loan and advance reveals significant results in (correlation coefficient = .845; and $P < 0.05$) indicates strong level of significant relationship; between accounting information and advancement of loan and advance (correlation coefficient = .845; and $P < 0.05$).

Decision: The results show that (correlation coefficient = .845; and $P < 0.05$). Therefore we reject the null hypothesis and accept the alternate. This shows that there is a significant association between accounting information and the advancement of loan and advance in deposit money bank.

5.0 Conclusions

The main objective of this study is to find out whether there is a role of financial statement in investment decision, of selected bank in Enugu state. Spearman ranking correlation coefficient and ordinal least square regression analysis were used. Loans and advances were proxies for the dependent variable while the independent variable which is accounting information. The study also found that there is a significant association between accounting information and the advancement of loan and advance in deposit money bank.

6.0 Policy recommendation

It is observed in respect of the 3cs and 5cs for the respective banks, that capacity (liquidity) is obtainable from the statement of financial position. Therefore, this study recommended the use of (statement of financial position) in advancement of loans and advances by deposit money banks. This research is recommended to academics as it adds to the existing literature and charts a course for continued research on the sensitivity of financial information on loans and advances of deposit money banks for optimum investment decision.

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