Accounting Information and Financial Performance of Banks in Nigeria

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ABSTRACT
This research set out to investigate the relationship between accounting information and the financial performance of banks in Nigeria. Sample of 91 deposit banks were used for the study and primary data were gathered via survey method with the aid of structured questionnaire. The test of hypothesis and other breakdown of data collected was analysed with the use of Pearson Product Moment Correlation (PPMC) on SPSS. From the analyses conducted, the findings showed that relevance of accounting information was statistically significant in determining the profitability and quality of service delivery of banks in Nigeria. On the basis of the findings, it was concluded that: The quality of accounting information in terms of relevance to users contributes significantly to the performance of bank. Given the above findings and conclusions, the following recommendations were made: More effort should be directed towards the production of good quality accounting information in all the commercial banks in Nigeria in order to improve financial performance. To improve the quality of accounting information, commercial banks in Nigeria must employ highly skilled competent professional accountants to generate the right quality of financial information, amongst others.

KEY WORDS: *Accounting information system, Value Relevance and performance*

1.0: INTRODUCTION
The ability of a manager to use available resources efficiently and effectively depends to a large extent on the quality of accounting information at the disposal of the management. Hence, the role of accounting information in the success of any business cannot be over emphasized. For an organisation to function properly, adequate and timely accounting information that is reliable, accurate and relevant is needed. It is important to note that, poor record keeping and communication of accounting information has in the past led to the failure of many businesses organisations (Romney et al., 2003)."Accounting information combines the study and practice of accounting with the design, implementation and monitoring of information systems. Such systems use modern information technology resources in conjunction with traditional accounting

controls and methods to provide users the information necessary to manage the organization (Etim, 2011)."

"An accounting system is among the most effective decision making tools at the disposal of management as it provides an orderly method of collecting and organising data and information about the various business financial transactions so that it may be used as a tool for management in running the business (Copeland and Dascher, 1978)."

"Accurate, reliable and relevant accounting information will also help managers understand their tasks more clearly and reduce the uncertainty that surrounds business decision making (Chong, 1996)." Accounting Information is therefore vital to all organisations and perhaps every organisation profit or non -profit oriented needs to maintain an Accounting Information System. It is important to state here that Accounting Information derives its source from accounting data. Accounting Information Systems produce results which enhances decision making. Hence, it can safely be asserted that reliable, relevant and adequate Accounting Information is not an end in itself but a means to an end i.e. decision making to improve corporate performance and reduce fraud. This study investigates the impact of accounting information on the performance of the banking industry in Nigeria with special emphasis on the deposit money banks resident in Port Harcourt, Rivers State.

1.2 Statement Of Research Problem

Accounting information is an ingredient in most, if not all, financial managerial decisions. In developed economies where knowledge based activities prevail, these decisions are worth billions of dollars each year and are indispensible for proper functioning of businesses. But in some cases, the decisions are lacking in quality as a result of the quality of the information. Consequently, if researches can improve decision making through improved information, business organisations will benefit. Poor accounting information jeopardizes management effectiveness, which makes managers ineffective administratively. The consequence of this has been the recurrent distress syndrome that Nigerian banking industry is facing intermittently. Huber (1999) stressed that "organisation must learn to manage their intellectual assets (i.e. knowledge) in order to survive and compete in a 'knowledge based society'."

1.3 Aim and Objective of The Study

The aim of this study is to examine the relationship between accounting information and the performance of deposit money banks in Port Harcourt. A specific objective of the study is to determine the relationship between Relevance of accounting information and profitability of banks.

1.4. Research Question

Thus in pursuance of the aim and specific objective of the study, the study poses the research question to guide the research focus:

What is the nature of the relationship between the Relevance of accounting information and profitability of banks?

1.5. Research Hypotheses

The formulated research null hypothesis was drawn from the relevant literatures and was tested in this study:

Ho_1: Relevance of accounting information has no significant impact on profitability of banks

2.0: REVIEW OF RELEVANT LITERATURE

2.1 Theoretical Framework

Contingency Theory: Contingency theory opined that when designing an accounting information system, it should be flexible in order to accommodate the environment and organizational structure itself. In addition to the above, Gordon & Narayanan (1984) asserted that "in making decision, the specific accounting Information Systems that will suit such decisions needs to be considered." This suggests that accounting information should be designed to suit the existing framework. Furthermore, Gordon & Narayanan (1984) concluded that when designing an accounting system, the environmental uncertainties should be factored into it.

Agency Theory: The Agency theory allows for conflicts of interest, incentive issues, and systems for controlling incentive problems to be incorporated into organisation models. According to David, Julie Smith; et al (1999), "the agency theory is faced with a conflicting interest between the principal and agent leading to conflicting individual objectives. Compensation contracts bring these conflicting objectives into agreement."   Thus, this study is anchored on these theories as they are relevant with providing information that leads to profitability of companies.

2.2 Concept of Accounting Information System

Accounting information as part of the management information is very essential in decision making. According to Bodnar and Hopwood (1995), "this System involves the effective combination of resources within the organisation in order to provide actionable information for decision making." Accounting information systems perform this transformation whether they are manual systems or computerized. Further, the accounting information system of any organisation needs to be properly designed in order to enable manager fully utilize resources at their disposal efficiently and effectively. Therefore it is essential for adequate and timely accounting information system to be put in place for business management. In designing an Accounting information system, the practice and study of accounting is combined with information system.

Usefulness of Accounting Information System

In terms of usefulness, accounting information systems makes use of accounting techniques and controls within the information technology framework to track all financial transaction of an organisation so as to make available internal and external report on the activities of the business (Grande et al, 2010).   Similarly, according to Boocholdt (1999), "Accounting Information Systems involves data gathering, processing and provision financial report for management decision making." Kim (1989) "assert that the Accounting Information System of users depends on how the information produced is been perceived."

Also Zimmerman (1995) view accounting Information Systems as effective organisational mechanism for effective decision making and control. Therefore, accounting information systems should satisfy users requirement that is it should provide users with relevant information for decision making.

Value Relevance of Accounting Information system

According to Beisland (2009), value relevance "is the ability of financial statement information to capture and summarise firm value."Beaver (2002) agrees "that value relevance research investigates the relationship between a security price dependent factor and a set of independent

accounting factors. Value relevance is measured as the statistical relationship between financial statement information and capital market values or returns of firms. The key commonality in the definitions is that an accounting amount is deemed value relevant if it has a significant relationship with security market value." "The Information perspective of value relevance is used for this study to determine the value relevance of accounting data of listed firms. Informational perspective measures the usefulness of accounting to individual users without much emphasis on the precise structure of the relationship between accounting information and firm value (Bernard, 1995)."

Achieving Efficient Accounting Information System
An efficient accounting information system is one that provides quality information that would be appropriate, timely, current, and accessible to all users. A pre-condition for the above to be achieved is the prompt recording and proper classification of transactions where necessary information is generated on timely basis. The information so generated is made available to the right people and the existence of proper and working controls. Robinson et al (1986) see efficiency of the accounting information system from the perspective of systems controls. They define systems controls as subsystems within information systems that are within the accounting, and interrelated with accounting. Feedback systems and feed-forward systems were also identified. Hence, control monitors the system to ensure efficiency and effectiveness of operations.

Effective communication should occur in all directions, flowing down, across and up the organization, throughout all components and the entire structure. Barney (1991) directed his discussion on accounting information system efficiency to the issue of monitoring. According to Barney, Accounting system should be such that can monitor all financial activities of the organisation to assess the quality of the system's performance over time. Monitoring is accomplished through routine activities, separate evaluation of activities or a combination of both. Ongoing monitoring is built into the normal recurring operating activities of the organisation. It includes regular management and supervisory activities, and other actions personnel take in performing their duties.

2.3 EMPIRICAL REVIEW
Existing literature offers a rich evidence of the relationship between Accounting Information System and financial performance. Hence, it is important to highlight the research studies by Grande, E. U (2006); Raquel Perez Estebanez and Clara M. (2010) on the subject matter. Recently several studies have shown that accounting information plays a positive role in the strategy management, acting as a mechanism that enables organizational strategy (Chenhall, 2003; Gerdin and Greve, 2004).On the issue of value relevance, Ball and Brown (1968) provide evidence of security market reaction to periods end earnings announcements. On the basis of their studies, they assert that accounting information is useful to investors in predicting the expected values and risks of security returns. However, Ariff, Loh and Chew (1997) posit a relationship between earnings and share prices. Their results indicate that unexpected returns changes are significantly related with share price changes. They further stated that the major reason for which accounting information is produced is to facilitate effective decision making.

Similarly, Vishnani and Shah (2008), examined the value relevance of financial reporting in India and the sub-continent and described value relevance as the ability of the financial information contained in the financial statements to explain changes in stock market variables. Their research explains the expected impact of financial reporting by listed companies on the

market prices of their shares. The result of the research reveals that the value relevance of published financial statement is negligible.

3.0 RESEARCH METHODOLOGY

The quasi-experimental or survey research design is adopted for this study. The study population consists of all Deposit Money Banks in Rivers State. But our accessible population consists of 18 deposit money banks in Port Harcourt and its environs which had about 117 senior and mid-level accountants. Thus, our population consists of the 117 accountants in our accessible population. The sample size was determined using the Taro Yemeni formula which gives a sample size of 91. Data was gathered from primary and secondary source while Pearson's Product Moment Correlation (PPMC)computed with the aid of the SPSS software is the statistical technique used for hypothesis testing.

3.1 Results and Discussion

This segment analyzed and interpreted the outcomes gotten from the test of hypotheses formulated for the study.

3.2 Hypotheses Testing:

Ho_1: There is no significant relationship between the Relevance of accounting information and profitability of banks in Nigeria

The results of our data analysis showed that the significance level (p-value) for the coefficient of Relevance of accounting information and profitability of banks in Nigeria is 0.000.This is less than the required 0.05 critical p-value for rejection of the null hypothesis, whilst the correlation between them is .723. This is an indication that the result is statistically significant. Thus, "we reject the null hypothesis and accept that there is indeed a significant relationship between the Relevance of accounting information and profitability of banks in Nigeria."

3.3 Discussion of Findings

Our findings indicated that accounting information of banks in Nigeria are of high quality in terms of assisting users in making and evaluating decisions about the allocation of resources and in assessing and rendering of accountability by preparers. Our findings also indicated relevance of accounting information was statistically significant in determining the profitability and quality of service delivery of banks in Nigeria. This finding is in line with that of Bukenya M. (2014) who in a study of "Quality of Accounting Information and Financial Performance concluded that the higher the quality of accounting information used by public organisations, the better their financial performance."

4.0 CONCLUSION

The major conclusion of this study is that quality accounting information in terms of relevance to users contributes significantly to the performance of bank both financially and in terms of service delivery. This we conclude is as a result of the fact that the use of such information for decision making is bound to yield the desired results.

4.1 RECOMMENDATIONS

On the basis of the above conclusions, we make the following recommendations:
- ❖ More effort should be directed towards the production of good quality accounting information in all the commercial banks in Nigeria in order to improve financial

performance. Such information should be free from systematic or deliberate bias, material or significant error, complete and not fraudulent with high levels of predictive and confirmatory value. Accounting practices that tend to over or understate, or even delay the reporting process should also be avoided.

- ❖ Commercial banks in Nigeria are advised to employ highly skilled competent professional accountants to generate the financial information.
- ❖ Training workshops and seminars aimed at sensitizing commercial bank's accounting and record keeping staff and other key decision makers should be organized. This would enhance awareness of stakeholders of the need for good, quality, reliable and timely information to enhance proper financial management practices.

5.0 Limitations of the study:

It was not possible to get the responses for the questionnaire from all the respondents, hence the sample size reduction was unavoidable and the analysis of the data was based on observed population, not on expected population. However, this result of the findings provides information to the indispensability of accounting information in enhancing organizational performance and profitability

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APPENDIX

SPSS OUTPUT OF RESULT

CORRELATIONS
 /VARIABLES=Relevance Profitability
 /PRINT=TWOTAIL NOSIG
 /STATISTICS DESCRIPTIVES

CORRELATIONS
 /VARIABLES=Profitability Relevance
 /PRINT=TWOTAIL NOSIG
 /STATISTICS DESCRIPTIVES
 /MISSING=PAIRWISE.

Correlations

Notes

Output Created		09-Mar-2016 14:18:58
Comments		
Input	Active Dataset	DataSet0
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	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	72
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.
Syntax		CORRELATIONS /VARIABLES=Profitability Relevance Accuracy Reliability /PRINT=TWOTAIL NOSIG /STATISTICS DESCRIPTIVES /MISSING=PAIRWISE.
Resources	Processor Time	00:00:00.125
	Elapsed Time	00:00:00.156

[DataSet0]

Descriptive Statistics

	Mean	Std. Deviation	N
Profitability	22.7083	16.98669	72
Relevance	25.1111	17.27536	72

Correlations

		Profitability	Relevance	Accuracy	Reliability
Profitability	Pearson Correlation	1	.723**	.722**	.709**
	Sig. (2-tailed)		.000	.000	.000
	N	72	72	72	72
Relevance	Pearson Correlation	.723**	1	.845**	.709**
	Sig. (2-tailed)	.000		.000	.000
	N	72	72	72	72
	N	72	72	72	72

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