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# FINANCIAL REPORTING QUALITY AND INVESTMENT DECISION OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

**By**

**ABILORO Toba O.[1], LODIKERO, Olusola[2]**

[1] *Department of Accountancy, Faculty of Business Studies, Rufus Giwa Polytechnic, Owo. Ondo State, Nigeria* tobanson316x@yahoo.com

[2] *Department of Accountancy, Faculty of Business Studies, Rufus Giwa Polytechnic, Owo. Ondo State, Nigeria* lodikeroolu@gmail.com

**Abstract**

*Financial reporting is to deliver high-quality financial reporting data about economic entities, principally financial in nature, that is helpful for making economic decisions. High-quality financial reporting information is crucial because it will help capital providers and other stakeholders make decisions about lending, investing, and allocating similar resources, thereby improving market efficiency. Therefore, this study sought to determine the effect of financial reporting quality on the investment decision in Nigerian deposit money banks (DMBs). This study specifically examined the effect of financial statement verifiability, financial statement timeliness, board financial expertise, and bank size on the return on equity of DMBs. Ex-Post Facto research design was employed while secondary data were collected from a sample of eight (8) DMBs. Ordinary Least Square (OLS) regression analysis were applied in order to achieve the study objectives since all the variables are stationery at level. Results of this study found that financial reporting timeliness and board financial expertise have a significant positive effect on Return on Equity of quoted Deposit Money Banks in Nigeria at a 5% level of significance respectively while financial reporting verifiability, and bank size reveal a positive relationship but not statically significant. This study recommended among others that organizations should ensure that financial statements are published to encourage new investors and facilitates the building of public confidence in the enterprises concerned and that the members of the board should be more of those that are of financial expertise.*

**Keywords:** Financial Reporting Quality, Qualitative Characteristics, Return on Equity



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## Introduction

Corporate entities have a responsibility to adequately disclose information about their operations so that investors can make informed investment decisions. When a corporation's capital stock is widely held and its affairs are relevant to general public relations, both large and small organisations, in addition to satisfying the legislative requirement, tend to retain existing investors and attract potential ones through the publication of their financial reports. According to Amahalu, Egolum, and Obi (2019), Financial Report Quality is an information system that is utilised to facilitate communication and support decision-making. The financial report that is sent to shareholders as well as available to potential investors, bond holders, and trade creditors as a tool of information for investment decision will be the focus of the study's topics and examples. Analysis and interpretation of financial reports based on the outcomes of prior operations serve as a foundation for forecasting future rate of return and risk assessment.

The decision to invest entails allocating present resources to long-term endeavours in order to reap future rewards. The success of these investment chances depends on the financial Report (Mahmoud, 2017). Investment decisions are extremely important, and caution must be exercised because they involve significant amounts of limited, hard-earned resources and are dangerous and have long-term consequences that no investor would want to deal with in the event of a loss. The purpose of financial reports, according to their perceived relevance, is to provide accurate and timely information about a business investment opportunity's true and actual financial position, performance (profitability), and changes in financial position. This information could be helpful to a variety of potential investors, managers, directors, financial institutions, financial analysts, the government, regulatory agencies, the media, vendors, and the general public in making informed or rational investment decisions. Bank investment strategies may necessitate the prompt presentation of financial reports. Investors must be well-versed in and comprehend the cash flow report, value added report, income report, price, earnings, value, dividend per share, and other pertinent financial data in order to avoid making foolish investment decisions. Poor investment decisions can have poor results, which may be linked to the calibre of the financial report. Banks from the past, including Oceanic Bank, Intercontinental Bank, Platinum Bank, Diamond, and others, appear to have struggled to survive as a result of financial report fraud and bad investment choices, which are caused by the level of quality assigned to the account report (Amahalu & Obi, 2020).

The main goal of the current study is to help measure financial reporting quality more accurately. For this reason, this study operationalized financial reporting quality in terms of the enhancing qualitative characteristics (i.e., verifiability, timeliness and understandability) as defined in IASB (2008) as against prior studies that made use of the fundamental characteristics (i.e., relevance and faithful representation) in measuring financial reporting quality and include factors such as board financial expertise and firm size which are necessary in determining quality of financial reporting, thus, filling the gap in knowledge.

## LITERATURE REVIEW

### *Concept of Financial Reporting*

The management of a company gathers information from a variety of sources, including financial reports, to make informed decisions. As a result, financial reporting is a documented record of the financial activity of an organisation, individual, or other entity (McNicholas & Stubben, 2019). This report's information is organised and provided in an understandable fashion. A lot of strategy goes into how a company must show its financial data and use such

information to win economic competition given the significance of financial reports in investment decisions. Financial reports are frequently intended to help senior officers combine their business knowledge and choose the best strategies to move the company towards profitability. Investment decisions are specifically impacted by financial reports (Amahalu & Obi, 2020).

**Components of Financial Reporting**

There are basically 4 main components of financial reports. They include:

*i. Report of the Statement of Financial Position*

The financial position gives readers information about the amount of debt owed by the company and the value of assets like real estate. The International Financial Reporting Standards, according to Manuel and Joan (2015), states that the financial position includes the following:

Assets: A resource that the entity currently controls as a result of earlier occurrences and from which it anticipates deriving future financial gains.

Liabilities: A present obligation of the entity resulting from past occurrences that is anticipated to cause an outflow of resources containing economic advantages from the entity. Which is: Equity equals Assets minus Liability.

*ii. Reports of the Statement of Profit or Loss and Other Comprehensive Income*

A viewer can learn from the income report how much money the business brought in and spent within a specific time period, typically a month, quarter, or year. It is better to examine income reports from multiple related years because they show the direction that the company is taking. Thus, questions about income reports are frequently raised (Amahalu & Obi, 2020). Expenses are defined as decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to contributions from equity participants. Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity (Manuel and Joan 2015).

*iii. Reports of Statement of Cash Flow*

The cash report is yet another element in determining the value of a company. The cash flow into and out of the business account is shown in this report. As a result, calculations for operational, investment, and financing activities are made using the cash flow report. Thus, we get at the definitions of operating, investing, and financing activities:

Operating activities: It depicts the cash flow from a company's core, short-term operations, which are represented by its current assets and current liabilities. This section assesses a company's net profits and losses. All non-cash revenue is adjusted to account for inflows and outflows of cash transactions to arrive at a net amount by evaluating sales and business expenses (Pandy, 2005).

Investing activities: According to Pandy (2005), this represents the cash flow from the acquisition and sale of items, records the purchases and sells of long-term corporate investments such real estate, equipment, assets, and securities. Investment growth signifies a cash outflow (use of funds) while investment declines a cash inflow.

Financing activities: Pandy (2005) further states that this represents the cash flow that was produced or used to pay interest and dividends, as well as to raise debt and share capital. Additionally, it takes into consideration every dollar spent on financing your company.

*iv. Report of Statement of Changes in Equity*

The report of retained earnings, sometimes referred to as the equity report, is the final major financial report. It displays changes in owners' equity over time, which are mostly based on the number of shares issued by the company and its yearly reported net profit and loss. (Pandy 2005) The first two financial reports are typically used by organisations to make investment decisions. They can only make a sane investment selection as a result by examining the financial report.

**Concept of Financial Reporting Quality**

The Companies and Allied Matters Act of 1990 (CAMA) defines a financial report as an account used to present quantitative financial information about a business to creditors, investors, and other parties with an interest in the financial health, operational performance, and funding sources of the reporting company. According to Amahalu, Okoye, and Obi (2019), a financial report is of high quality if it gives management and other interested parties a clear understanding of a company's financial status and profitability. Financial report quality is one of the areas of communicating to interested parties Report on the resource obligation and performance of the reporting organization (Financial Reporting Council of Nigeria (FRCN) (2013).

*i. Financial Report Verifiability*

Financial reports must include information that can be backed up by the reporting entity's records (Lashgari & Moghaddam, 2015). Users can be assured that information accurately reflects reality by using verifiability (Report of Financial Accounting Concept, SFAC, 2010). There are two methods for reviewing financial reports: direct and indirect, according to SFAC (2010). Direct verification referred to observation, counting, or measurement while Indirect verification entails recalculating the outputs using the same methodology that was previously employed while checking the inputs using a model, formula, or other techniques.

*ii. Financial Report Timeliness*

Because users of financial reports depend on current or up-to-date information, financial reports should be given promptly after the end of the accounting period so that users can get the required information whenever they need it. The International Accounting Standard Board (IASB), 2008, defined timeliness as "making information available to decision makers before it loses its ability to influence decisions." The timeliness of financial reporting has been defined from several angles in the body of existing research. It is the time frame between the company's fiscal year end and the date the financial report was made available to the public (Totok 2017). According to Vestine, Kule, and Mbabazi (2016), the timeliness of financial reports includes the audit delay, which is the number of days between the balance sheet date and the date the external auditor's report was signed; financial report issue delay; and the AGM delay, which is the number of days between the date of the financial year end and the date of the annual general meeting.

*iii. Financial Reports Understandability*

Financial reports can be somewhat difficult for the average person to grasp; thus, it is important to prepare them so that consumers can comprehend the information it portray (Zayol, Agaregh, and Eneji, 2017). This also applies to the format and layout of the reports. When information is categorized, characterised, and presented in a clear and succinct manner,

understandability—the first qualitative feature that will improve—will rise.

iv. *Board Financial Expertise:*
This factor assesses the board members' qualifications in terms of their age, professional experience, and educational background. Umukoro et al. (2019) discovered that simply having industry expertise is insufficient to address serious problems with the quality of financial reporting. They discovered that financial education and professional experience both have a favourable impact on how corporate information is disclosed, particularly when it comes to matters of financial reporting. According to Umukoro et al. (2019), management and financial educational background has a significant impact on how an organisation discloses concerns in its financial report.

**Concept of Investment Decision Making**

IAS 1.13 states that financial reports must fairly depict an entity's financial status, financial performance, and cash flows. Investments are financial or other commitments made with the hope of gaining future benefits. An effective deployment of capital is important while making investment decisions. It entails making the decision to invest money in long-term assets. Since they frequently affect growth, profitability, and risk, these choices have a significant impact on both the organisation and the individual because they tend to determine value and size. According to Kapellas and Siougle (2017), decision-making is the process of choosing a course of action from a variety of options in order to accomplish a specific goal. Choosing a plan of action to address a particular issue or seize an opportunity is the process of making a decision. Ratio analysis is a key technique for making these investing decisions (Abiahu & Amahalu, 2017).

Ratio analysis is a decision-making process that seeks to assess an entity's current and historical financial circumstances and outcomes in order to make the most accurate projections of its future conditions and performances. It offers a fast financial health check of a business and prompts further financial and operational study (Kariuki & Jagongo, 2013).

Return on Equity is a statistic that shows investors how effectively a firm is managing the money that shareholders have invested in it. This information is particularly useful for management teams. In other words, it assesses a company's profitability in relation to stockholder equity. According to Ezechukwu and Amahalu (2016), a company's management is more effective at generating income and growth from its equity financing the higher the ROE. ROE is frequently used to evaluate a business against its rivals and the market as a whole. The formula is particularly useful for evaluating businesses with a focus on tangible assets rather than intangible assets and for comparing businesses in the same industry since it frequently provides accurate indications of which businesses are operating more profitably (Ryan, 2019). According to Marshall (2019), ROE is a measurement of how successfully management uses a company's assets to generate profits. Net income divided by equity is known as ROE.

For efficient planning and trustworthy decision-making, financial institutions must standardize the compilation and presentation of both financial and non-financial information. The goal of financial reporting is to deliver data that may be sufficient for assessing management success in using the resources under its control to meet the needs of its consumers. Investors and creditors use financial reports to determine whether or not to spend their limited resources in a particular organisation (Minnis & Shroff, 2017). Financial report timeliness and investment choices were found to have a strong positive association by

Kariuki and Jagongo (2013) and Mahmoud (2017).

According to Pandey's (2005), theory, the analysis or choice of an investment has to do with the effective use of money. It entails making the decision to invest money from the company in long-term assets. Such choices are extremely important to the company since they frequently decide the magnitude of its value by affecting its growth, profitability, and risk. A company's investment choices are sometimes referred to as capital budgeting choices. This may be characterised as the company choosing to allocate its current resources in long-term assets in anticipation of a projected stream of rewards over a number of years. Evaluation of the potential profitability of new investments and assessment of a cut-off rate against which the potential return on new investments can be compared are the two most crucial factors in investment decisions (Anaja & Emmanuel 2015). It has been shown by Fariba and Mehran (2016) and Zayol, Agaregh, and Eneji (2017) that investment decisions have a favourable link with the readability of financial reports.

## Theoretical Review

*Stakeholders' Theory*

Regardless of where it appears in the study, investment theory should contain the most important investment benefits and downsides. Investment theory starts the report and includes some of a company's overview. For the purpose of identifying profitable investment strategies, investment evaluations can make use of both quantitative and qualitative methods. They include analysing market trends, keeping track of company data, statistically analysing economic indicators to find patterns, or using other techniques to spot business chances for profit (Amahalu & Obi, 2020).

*Investment theory*

In his research, Adebimpe (2009) advocated the DuPont equation and came to the conclusion that it is an equality expression that divides return on equity (ROE) into three groups. The DuPont Corporation is where the term "DuPont mean-variance" originated. In the 1920s, the DuPont Corporation developed and used this mean-variance formula in the transformation of their business. However, DuPont Corporation's mean-variance theory, which was modified from Markowitz's mean-variance portfolio, proposed that a company's profit or loss is a mapping of turnover, fixed and current assets, shareholder money (equity), and total liabilities (debts). This model is sometimes referred to as the DuPont method/model, the DuPont analysis, the DuPont identity model, and the Strategic profit model. The ROE formula proposed by DuPont is the profit margin times the asset turnover times the financial leverage. However, dividing ROE (return on equity) into three components makes it easier for businesses to comprehend how their ROE has changed over time. Profit Margin, Asset Turnover, and Financial Leverage make up the DuPont Analysis.

*Agency Theory*

In a theory of the firm based on conflicts of interest between different contracting parties including shareholders, corporate management, and debtors, Jensen and Meckling (1976) initially put forth the Agency theory. Since then, however, theoretical and empirical advancements in finance theory have allowed for a more thorough examination of the issues brought on by conflicts of interest between shareholders and company managers. According to Brennan (1995), the Agency Theory contends that agency issues result from the difficulties of precisely contracting for every action that could be taken by an agent whose choices have an impact on both his own welfare and the welfare of the principal. How to persuade the agent to operate in the principal's best interests is the main problem that results from the

agency conflict. According to Jensen and Meckling (1976), this can be accomplished by giving managers financial incentives to maximise shareholder interests. Such schemes frequently involve strategies for senior executives to acquire shares, possibly at a discounted price, aligning their financial interests with those of shareholders.

**Empirical Review**

A study by Ezejiofor, Rolise, and John-Akamelu (2017) focuses on a comparison of the banking and telecommunications industries in Nigeria. The study used t-test statistics to determine whether the investment decisions made by the banking and telecommunications sectors in Nigeria differed based on secondary data taken from the sampled company's annual reports. The t-test result showed that telecommunications businesses' liquidity is less than that of banks', which increased investment decisions in the telecommunications sector. This suggests that liquidity significantly influences the decision to invest in the Nigerian telecommunications sector.

By adopting an ex post facto research design and extracting data from the annual reports and accounts of the sampled banks, Bamidele, Ibrahim, and Omole (2018) investigated the nexus of the relationship between financial reporting quality and investment decisions of Nigerian deposit money banks. The study also conducted a number of statistical analyses, including a descriptive statistic, correlation analysis, and regression. Utilising regression analysis, the study's hypotheses were put to the test. Profitability significantly influences investment decisions in Nigerian deposit money institutions, the study showed, among other things.

Sajid, Mahmood, and Sabir (2016) used data from the financial reports of 30 sampled financial and non-financial organisations from 2009 to 2013 to assess the relationship between financial gearing and investment decisions of listed financial and non-financial firms. Financial leverage negatively yet considerably affects investment decision after adopting descriptive statistics, correlation analysis, and panel regression. The conclusion has the logical implication that as companies issue more debt, investors become less interested in investing because they think debt carries significant risks, and fixed interest represents a charge against earnings, lowering distributable earnings and, consequently, dividends.

By distributing a questionnaire to six registered brokers in the Dar es Salaam region of Tanzania, Norman (2011) collected primary data in Tanzania. The results showed that despite investors' ignorance of the financial report, financial report examination does not significantly affect their choice of investments.

The importance of accounting data on equity shares investments in companies listed on the Indian Stock Exchange was studied by Savita, Chaubey, and Durgesh in 2017. The accounting information variable was used to determine the importance of accounting data on investments in equity shares. The study looked into how financial information affected investors' decisions while buying equity shares. The study makes use of original data. A sample of 177 respondents who had equity market investments provided the study's data. According to the study, an investor's information-seeking activity is influenced by their investment horizon, year of experience, and investment goal. Years of experience do not significantly affect the choice of investment source, according to the study. The choice of investment source was also found to be unaffected significantly by the investment horizon.

Zayol, Agaregh, and Eneji (2017) looked into how financial information affected shareholders of Nigerian banks' decisions to invest. The information for the study was taken from annual reports that five Nigerian banks were chosen to publish between 2009 and 2015.

The association between the variables was established using a correlation matrix and regression analysis. The findings showed a favourable correlation, showing that dividend per share had a considerable impact on shareholders' investment choices in Nigerian banks. The report advises both current and potential investors to take dividend per share into consideration when deciding whether to purchase shares of Nigerian banks because dividend per share is positively connected with shareholder investment choices.

**Methodology**

The study adopted the Ex-post Facto research design to determine the cause-effect relationship among the variables of the study. The choice of this design is predicated upon the fact that it is the most suitable for this type of research and it's structured to help us understand our research problem and solved them. The population of this research study consists of all deposit money banks in Nigeria as at 31st December, 2022. Purposive sampling technique was adapted to select eight (8) listed Nigerian banks with international license whose financial reports were available with the Nigeria Stock Exchange from 2012-2022. They include, Access Bank Plc, Fidelity Bank Plc, First City Monument Bank, First Bank Plc, Guaranty Trust Bank Plc, Union Bank Plc, United Bank of Africa Plc, and Zenith International Plc. The data for this study were obtained from secondary source. Secondary data were extracted from the published annual reports and accounts of the companies and the Nigerian Stock Exchange (NSE) fact book for the relevant years. The OLS regression was complemented by some preliminary statistical analyses like descriptive statistics and correlation matrix, for the measurement of the normality of the variables and their relationship respectively. The result of the correlation was used to decide on the measurement of the variables that should be included in the panel regression model.

**Description and Measurement of Variables**

There are three sets of variables in this study; the dependent, the explanatory variables and the control variable. **Table 1** presents a summary of all the variables in the study and their measurements:

| Variables | Symbol | Measurement |
|---|---|---|
| **Dependent** | | |
| Investment Decision (Return on Investment) | ROE | $\frac{\text{Net Profit After Tax}}{\text{Shareholders' Equity}}$ |
| **Independent** | | |
| Financial Report Verifiability | FSV | measured with Assurance of Internal Control using 0 and1dichotomy. If the auditors placed assurance on internal control as contained in the auditors' report, ASIC was coded 1, else 0. |
| Financial Report Timeliness | FST | measured with Timely Audited Account Submission as reported in the auditors' report. If the financial report was timely submitted, we assign 1, otherwise 0. |
| Board Financial Expertise | BFE | proportion of executive members of executive members with finance and accounting background to total board size |
| Bank Size (Control Variable) | BSZ | Natural log of the bank total asset at a point in time |

**Source: Amahalu and Obi (2020)**

**Model Specification**

In order to ascertain the effect of financial reporting quality on investment decisions of Deposit Money Banks (DMBs) in Nigeria, the following models were specified:

$ROE_{it} = \beta_0 + \beta_1 FSV_{it} + \beta_2 FST_{it} + \beta_3 BFE_{it} + \beta_4 BSZ_{it} + \mu_{it}$

Where:

$\beta_0$ = Constant term (intercepts)

$\beta_{it}$ = Coefficients to be estimated for bank í in period t

$\mu_{it}$ = Error term/Stochastic term

$ROE_{it}$ = Return on Equity (dependent variable) of bank í in period t

$FSV_{it}$ = Financial Report Verifiability (independent/explanatory variable) of bank í in period t

$FST_{it}$ = Financial Report Timeliness (independent/explanatory variable) of bank í in period t

$BFE_{it}$ = Board Financial Expertise (independent/explanatory variable) of bank í in period t

$BSZ_{it}$ = The Size (control variable) of bank í in period t.

**Data presentation**

Data spanning were sourced from published annual reports and accounts of 8 deposit money banks with international license in Nigeria and the Nigeria stock exchange (NSE) fact book from 2012 to 2022.

**Data analysis**

Various statistical tests conducted to ascertain the characteristics are presented here under. Similarly, empirical test also conducted and presented under this section.

**Table 2 Correlation Analysis**

| | ROE | FSV | FST | BFE | BSZ |
|---|---|---|---|---|---|
| ROE | 1.000000 | 0.088200 | 0.300513 | 0.369069 | 0.027120 |
| FSV | 0.088200 | 1.000000 | 0.365258 | 0.061732 | 0.079308 |
| FST | 0.300513 | 0.365258 | 1.000000 | -0.101774 | -0.004298 |
| BFE | 0.369069 | 0.061732 | -0.101774 | 1.000000 | 0.041149 |
| BSZ | 0.027120 | 0.079308 | -0.004298 | 0.041149 | 1.000000 |

**Source: E-Views 9.0 Correlation Output, 2023**

Table 2 revealed the existence of a positive relationship between FSV (0.088), FST (0.301), BFE (0.369), BSZ (0.027) and ROE with BFE having the strongest relationship. This is an indication that the more knowledgeable and expertise the board are on financial matters, the stronger the quality of the financial report. BFE and FST have a negative relationship, this is an indication that when board are very knowledgeable on financial matters, they will take time to study the annual report, make some observations towards lending credibility to the report. During the course of doing this, there may be delay in the presentation of the report and this may not make the report timely.

**Table 3 Descriptive Statistics**

| | ROE | FSV | FST | BFE | BSZ |
|---|---|---|---|---|---|
| **Mean** | 0.055866 | 0.715909 | 0.704545 | 0.422614 | 7.596006 |
| **Median** | 0.039452 | 1.000000 | 1.000000 | 0.425000 | 6.783786 |
| **Maximum** | 0.167941 | 1.000000 | 1.000000 | 0.520000 | 9.988411 |
| **Minimum** | 0.016461 | 0.000000 | 0.000000 | 0.310000 | 5.961117 |
| **Std. Dev.** | 0.045862 | 0.453565 | 0.458861 | 0.063490 | 1.456842 |
| **Skewness** | 1.567843 | -0.957510 | -0.896644 | -0.110771 | 0.473103 |
| **Kurtosis** | 4.013146 | 1.916825 | 1.803970 | 1.968325 | 1.407371 |
| | | | | | |
| **Jarque-Bera** | 39.81630 | 17.74875 | 17.03668 | 4.082595 | 12.58318 |
| **Probability** | 0.000000 | 0.000140 | 0.000200 | 0.129860 | 0.001852 |
| | | | | | |
| **Sum** | 4.916201 | 63.00000 | 62.00000 | 37.19000 | 668.4485 |
| **Sum Sq. Dev.** | 0.182989 | 17.89773 | 18.31818 | 0.350699 | 184.6477 |
| | | | | | |
| **Observations** | **88** | **88** | **88** | **88** | **88** |

**Source: E-Views 9.0 Correlation Output, 2023**

Table 3 shows the descriptive statistics of the financial reporting quality and investment decision in Nigeria deposit money banks. The mean scores of the data displayed the level of consistency as they are within the minimum and maximum scores. The means values of ROE, FSV, FST, BFE and BSZ stood at 0.0559, 0.7159, 0.7045, 0.4226 and 7.5960 respectively. The standard deviation measuring the spread of the distribution stood at values of0.046, 0.454, 0.459, 0.063, 1.456 for ROE, FSV, FST, BFE and BSZ respectively. The result indicated that the standard deviation of BSZ is higher than all that of the independent variables. This means the higher the size of a company, the higher the risk such a company tends to face.

Some of variables used are negatively skewed and to the left of the mean as shown by the coefficient of skewness of FSV, FST, BFE while some are positively skewed to mean, these include ROE and BSZ. The skewness and kurtosis statistics of the variables were normally distributed as are close to 0 and ±3 respectively. According to their Jarque-Bera (JB) statistics and their corresponding probabilities, all the variables are normally distributed. There are 88 observations in all.

**Table 4.Regression Result**
Dependent Variable: **ROE**
Method: Least Squares
Date: 07/11/23 Time: 01:13
Sample: 1 88
Included observations: 88

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| **C** | 0.183670 | 0.038941 | 4.716645 | 0.0000 |
| **FSV** | 0.001581 | 0.010716 | 0.147536 | 0.8831 |
| **FST** | 0.025983 | 0.010596 | 2.452208 | 0.0163 |
| **BFE** | 0.247725 | 0.071445 | 3.467332 | 0.0008 |
| **BSZ** | 0.000484 | 0.003091 | 0.156508 | 0.8760 |
| R-squared | 0.806489 | Mean dependent var | | 0.055866 |
| Adjusted R-squared | 0.768248 | S.D. dependent var | | 0.045862 |
| S.E. of regression | 0.041826 | Akaike info criterion | | -3.455443 |
| Sum squared resid | 0.145203 | Schwarz criterion | | -3.314685 |
| Log likelihood | 157.0395 | Hannan-Quinn criter. | | -3.398735 |
| F-statistic | 5.399615 | Durbin-Watson stat | | 1.757834 |
| Prob(F-statistic) | 0.000649 | | | |

**Source: E-Views 9.0, Regression Output 2023**

**Interpretation of Regression Result**

In table 4 Ordinary least square regression analysis was conducted to test the effect of financial reporting quality on investment decision quoted deposit money banks in Nigeria. The linear regression model becomes;

**ROE** = 0.183670 + 0.001581(FSV)+ 0.025983(FST) + 0.247725(BFE) + 0.000484(BSZ)
**S. E.** = 0.038941 0.010716 0.010596 0.071445 0.003091
**T. S.** = 4.716645 0.147536 2.452208 3.467332 0.156508

The coefficient of FSV implies that if the quality of financial report verifiability increases by 1 unit, then return on equity would increase by 0.001581 unit, while the probability value = 0.8831 which is more than 5% indicate an insignificant relationship between FSV and ROE at 5% level of significance.

The coefficient of FST implies that if the quality of financial report timeliness increases by 1 unit, then return on equity would increase by 0.025983 unit, while the probability value = 0.0163 which is less than 5% indicate a significant relationship between FST and ROE at 5% level of significance.

The coefficient of BFE implies that if the quality of board financial expertise increases by 1 unit, then return on equity would increase by 0.247725 unit, while the probability value = 0.0008 which is less than 5% indicate a significant relationship between BFE and ROE at 5% level of significance.

The coefficient of BSZ implies that if bank size increases by 1 unit, then return on equity would increase by 0.000484 unit, while the probability value = 0.8760 which is more than 5% indicate an insignificant relationship between FSV and ROE at 5% level of significance.

The value of Adjusted R-squared in table 4.3 showed that 76.8% of the total variation in

dependent variable (ROE) is explained by independent variables and the control variable (FSV, FST, BFE, and BSZ) to the determination of ROE while the remaining 23.2% is caused by other explanatory factors outside this model and this is captured by the error term. The Durbin-Watson Statistic of 1.78 suggests that the model does not contain serial correlation. Generally, the F-statistic of the ROE regression is equal to 5.40 and the associated F-statistic probability is 0.000649. Since the result of the Prob (F-statistic) of 0.000649 is less than the critical value of 5% significance level, leading to the conclusion that financial reporting quality has a significant positive effect on return on equity (investment decision) of quoted deposit money banks in Nigeria at 5% significant level.

**Discussion of Findings**

This research work aims at investigating the effect of financial reporting quality on investment decision in Nigeria deposit money banks. This study found that financial reporting quality was positively and significantly related to investment decision in Nigerian deposit money banks. Higher financial reporting quality have been found to increase a company's investment efficiency by decreasing the informational imbalance between managers and investors, enabling investors to receive timely, verifiable, and accurate information about the company, along with input from a board of directors with financial expertise. As a result, investors will be able to keep a closer eye on managers' activities. As a result, bad investment choices for the business may be avoided. Conclusions from studies by Amahalu and Obi (2020), Biddle, Hilary, and Verdi (2015), Gomaris and Balesta (2013), and Chen et al. (2011) are all in agreement with the conclusions of this study. The more stakeholders have the understanding of financial report information, the ability to verify the information contained in the report, and access to timely report, the more helpful will it be in making efficient investment decision.

**Conclusion**

This study examined the effect of financial report quality on investment decisions of quoted deposit money banks in Nigeria from 2021-2022 periods. Data were sourced from the annual reports and accounts of the sampled banks. Inferential statistics using correlation analysis and ordinary least square regression were employed via E-Views 9.0 statistical software. As seen from the regression result, generally, Financial Report Verifiability, Financial Report Timeliness and Board financial expertise exerted a significant positive effect on ROE at 5% level of significance respectively. The study's findings offer information and understanding on the value of accurate financial reporting for businesses; as a result, managers should prevent investors from making bad investment choices that could hurt their organisation. The role of investors in overseeing managers' investment activities and strategies should never be underestimated. They should also be aware that efficient investments would benefit them as well, therefore they should base their decisions on the financial report's facts in a careful manner.

**Recommendations**

In order to produce output in the form of information that satisfies fundamental requirements and enhances those requirements, businesses should ensure that the entire financial reporting process complies with financial accounting standards and common financial reporting practices.

Banks must make sure that their financial records are thorough, accurate, timely, and effectively displayed in order to encourage the right plans and decisions, such as investment and purchase decisions. In order to promote responsibility, an appropriate and sufficient

accentuating system must be established.

Organisations should make sure that financial reports are released to encourage new investors and assist the establishment of public confidence in the enterprises in question based on the positive association between financial reporting quality and return on equity (investment).

Also, the board of the deposit money banks much be made up of many people with financial and accounting expertise, so that they can lend credibility to the quality of financial report.

**Contribution to Knowledge**

Findings from this study has provided a valuable insight on the effect of the qualitative characteristics of financial report on investment decision making by using most recent data and also considering the use of secondary data to measure the independent variables which is the point of digression from previous studies. This study has improved our knowledge on how to measure the qualitative characteristics of financial report from the annual report and factors that determines quality financial report.

**Suggestion for Further Research**

This study only focuses on deposit money banks and not even all of them. Subsequent researcher can extend this number or even look at different sector, maybe the findings and conclusion could be different.

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