

ACCOUNTING INFORMATION AND MANAGERS' INVESTMENT DECISION MAKING IN MICROFINANCE BANKS IN AKWA IBOM STATE

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Abstract

The study sought to determine the influence of accounting information on managers' investment decision-making in microfinance banks in Akwa Ibom State. Three specific objectives, three research questions and three hypotheses were formulated to guide the study. The hypotheses were tested at 0.05 level of significance. A survey design was adopted for the study. The population of the study consisted of 345 managers from 69 branches of 18 microfinance banks. The 345 managers from the 69 branches of 18 microfinance banks were purposively used because it was manageable size. Out of 345 managers, 300 of them were able to return their questionnaire which was used for analysis. The researcher made instruments tagged 'Accounting Information Questionnaire (AIQ)' and 'Managers' Investment Decision-Making in Microfinance Bank Questionnaire (MIDMMFBQ)' were used for data collection. The instruments were validated by two research experts in the Faculty of Education, University of Uyo and a reliability coefficient of 0.836 was obtained using Cronbach's alpha test. Data were analysed using regression square for research questions, while the null hypotheses were tested using regression statistics. The findings of this study indicated a significant influence of accounting information on managers' investment decision-making in microfinance banks in Akwa Ibom State. Based on the findings of the study, it was recommended among others that microfinance banks should use accounting information in investment decision making to avoid unnecessary risks and uncertainties.

Keywords: Accounting Information, Investment Decision, Microfinance Bank, AIQ, MIDMMFBQ.

1 Introduction and Review

The use of accounting information in view of the nature of business environment of today cannot be over-emphasised. The managers of whatever firm or business organisation need information to enable them direct the affairs of business in line with

the desired objectives. Accounting information or financial statement thus, provides the basis on which these objectives may be achieved. Accounting information is part and parcel of today's business life which is necessary for managers to understand the accurate financial situation of the organization and used as the basis of making business decisions. Since investment decisions have long-term effect on the business and therefore it is important to analyse accounting information before making investment decisions. Accounting information helps managers understanding their tasks more clearly and reducing uncertainty before making their decisions (Chong, 2006).

Accounting generally, involves the process of identifying, measuring, and communicating economic information to permit informed judgment and decisions of users of the information. In other words, accounting is concerned with providing information which will help business decision makers to make right decisions. To enhance credibility and utility of the information, the decision making process, established concepts, principles, standard and legal requirements are strictly followed in order to translate economic activities into money values and ensure that all types of reports are integrated and prepared on consistent basis. The information provided by financial statements such as statement of financial position, income statement, cash flows statement, funds flow statement, value added statement, variance analysis, cash report for planning, organizing, decision making and control are invaluable to achieve objectives of various interest groups.

Accounting information or financial statement provides a way for a firm to present its financial health or otherwise to shareholders, creditors and the general public and to potential investors, to enable them make rational investment decision. The role of financial statement analysis in making investment decisions should not be overlooked as it helps investors and managers to establish the fiscal strength and weakness of a firm (Iwok, 2010).

The statement of financial position helps to assess the company's assets, liabilities and ownership equity (net worth) at a particular point in time. The statement of financial position demonstrates a company's financial situation over a certain period of time. Statement of financial position could be used in assessing a company's liquidity, financial flexibility and operating capabilities, and could as well assists in evaluating the earning performance for the period (Frank, 2011). Banks rely on statement of financial position to determine a company's liquidity, the amount of cash and assets easily convertible to cash, such as a company's accounts receivable (Charles, 2010). Management and lenders use liquidity ratio to measure the extent to which business can meet its short-term obligations and take investment or financial decisions as to whether or not to deal with the company concern.

The statement of cash flow measures the company's input and output. The investor will assess the cash flow statement, to find out how the company raised up cash through investors or creditors; how the cash is used to acquire assets and inventory;

how the asset and inventory allow the company to generate cash to pay for business expenses; and finally how the cash is returned to investors and creditors. According to Patrick, et al. (2012), cash flows help the managers, investors and creditors to access the ability of the firm to generate positive future cash flow, ability to meet the debt obligations and to shed light on the cash and non-cash aspect of the investing and financial transactions.

Funds flow statement measures the sources and application of funds. Gerdin and Greve (2014) opined that funds flow statement is an instrument used by management and investors for effective decisions at the time of their investment proposals. It also provides detailed information about profitability, operational efficiency and financial affairs of a concern. It serves as a guide to the management to formulate its dividend policy and investment policy, etc.

Managing a business is a matter of deciding what should be done, seeing to it that the means are available and getting people employed to the business to do it. The service which the accounting information provides for the assistance of management, bearing in mind the efficiency of past operations and current activities as well as projection of probably future results. If accounting system is designed to aid all the grades of managers, the figures will not only be shown as over all totals for the business but they will also be analysed as far as practicable to demonstrate the contribution of each manager to the result. The integration of data relating to the various managers would help general management to achieve one of its fundamental tasks that of coordination. If figures are submitted in a form which suggests a corrective action require overcoming inefficiency, management will have grounds for the exercise of another basic function control.

Decision making is one of the major management functions. It involves commitment to action which requires quality decisions to be made for the purpose of the day to day running of an organization. To arrive at a quality decision, there must be a plan. Planning refers to setting attainable goals which relates to the future. The environments in which decisions are being made are laced with uncertainties and inherent risks thus; extra cautions are needed in taking investment decisions. Koontz and Weihrich (2010) defined decision making as the selection of a course of action from among alternatives. Olowe (2018) defined decision making as the process of selecting a logical choice from available options. However where decision making relates to the future events, risks and uncertainty could be involved.

Investment decision is a commitment of funds into a particular project or venture with expectation of future returns. This means that investment requires a great time for analyzing and choosing among various alternatives. Thus, for successful investment decisions, financial statements of the companies with potentials need to be analysed (Mbat, 2017). According to Khoury (2013) investment is the commitment of funds with the expectation of a positive future returns commensurate with the level of risk assumed with the potential for preserving and adding to the

investor's wealth. This means for an investor to make efficient and effective investment decisions that will lead to maximization of return and minimize risks, there is need to select portfolio. A portfolio is a collection of assets which may be either real or financial assets. In this work, the focus is on financial assets only. Such financial assets include common stocks and cash, treasury bills, treasury certificates, convertible stocks, government and corporate bonds. As opined by Mbat (2017), the portfolio of any investor is always characterized by limited forms of financial investments aimed at maximizing income and minimizing risks.

Chandra (2015) opined that investment is a sacrifice of current money or other resources for future benefits. Numerous avenues of investment are available today. It may be through bank deposit or purchase of long-term government bond or invest in the equity shares of a company or contribute to the provident of fund account or buy a stock option or acquire a plot of land or other investment areas.

The Chartered Institute of Management Accountant (2016) also defined decision making as a commitment to action which has lasting effect on the organization's goal. In making decision sometimes the coasts are cleared because the outcome of such decision may be certain to the decision maker and sometimes the decision maker is not sure of the outcome as a result of risk and uncertainty. The CIMA (2016) supported this statement by stating that decision making has to be made based on the uncertainty of returns on investment.

In project and business financing, issues involved include purchase decisions, production decisions, marketing decisions etc. In all these decisions, none of them can be reached with utmost certainty, where uncertainty exists, risk is also prevalent. Crown (2010) defined decision making as the selection of alternative course of action from available alternatives in order to achieve a given objective. Each alternative could have desirable or undesirable (risk/return) effect which may not be known before hand (uncertainty). One of the most important long term decisions for any business relates to investment. Investment is the purchase or creation of assets, with the objective of making gain in the future. Typically, investment involves using financial resources to purchase a machine, building or other asset which then yield returns to the organization over a period of time.

Microfinance bank is a unit bank, self sustaining, owned and managed by a community or group of communities for providing deposit, credit banking and other financial services to members of the community based on self recognition and credit worthiness. Microfinance banks are owned by community development associations, local cooperatives, farmer unions, trade groups and indigenes of the community. According to Osawenyi (2003), microfinance banks by nature are controlled by the laws of the land, owned by the people, financed by the people, managed by the people and serve the socio- economic welfare of the people. Within the context of microfinance banking scheme, community refers to group of people who possesses common bonds in terms of residence, occupation, profession or other

similar attributes and who interact fairly frequently in the pursuit of economic and social goals (Ukemenam, 2010).

According to Ukemenam (2010) the objectives of the microfinance banking scheme in Nigeria include: promotion of rural development through financial intermediation; stimulation of productive activities in the rural sector; development of banking habits in rural dwellers and ensuring the development of integrated national financial system; improving the economic status of small scale producers in the rural and urban areas. To achieve these objectives microfinance banks were in addition to traditional banking services to operate equipment leasing schemes designed to make inputs available to their clients and to perform such non-banking functions as may promote grass root development in their host communities.

Central Bank of Nigeria (CBN) as part of its reform agenda, initiated Microfinance Finance Banks, a policy initiative aimed at bringing credit to the door step of the poor who do not have access under the conventional financial system (Akinboyo, 2017). Odaga (2019) opined that microfinance is the provision of financial service including credit, savings, money transfer, and insurance products to the active poor and low income people and their enterprises. Oyombio (2017) opined that microfinance institutions and banks are fast becoming a household name globally due to its acceptance as a means of reaching those people that were not served by the conventional big banks. It therefore means that the adoption of microfinance policy in Nigeria and other countries is part of the global financial integration in the provision of tailor made financial services to those outside the catchments of the big banks either as a result of their income, location, literacy level or discrimination.

Information is indispensable for decision making in any business organization. Accounting information is an important element for a business which is useful for business decision making and performance assessment. The major purpose of the use of accounting information is to minimize risk, failure, and uncertainties, and also stay ahead of competition.

The problem however lies in the quality and validity of the information, that is, if it is timely, accurate, adequate, and clear. Iwok (2010), reported that falsified accounting information was the reason for many failed banks in Nigeria. Notwithstanding the immense benefit of the use of accounting information, it is generally acknowledged that most unqualified accountants usually give inaccurate information and so result in failure of organization to achieve the desired goals.

There are cases of managers refusing to use accounting information because of their inability to interpret such data, thereby making the organization to remain at static position, and probably running at a lost. The problem largely contributes to the failure of the use of accounting information in business with the result that inaccurate decisions are made to the detriment of the organization. There is also the problem of

choice accounting system which is not in accordance with the Generally Accepted Accounting Principles.

With all these factors brought to focus, this study seeks to answer the question-what is the popular precept held by managers in microfinance on the use of accounting information for investment decision? Therefore, the aim of this study is to determine the influence of accounting information on managers' investment making in microfinance banks.

The major purpose of this study was to determine the influence of accounting information on manager's investment decision in microfinance banks in Akwa Ibom State. Specifically, the study sought to:

- i. assess the influence of statement of financial position on managers' investment in microfinance banks.
- ii. examine the influence of statement of cash flow on managers' investment decision in microfinance banks.
- iii. determine the influence of funds flow statement on managers' investment decision in microfinance banks.

The following research questions were raised to guide this study:

- i. To what extent does statement of financial position influence on managers' investment decision in microfinance banks?
- ii. To what extent does statement of cash flows influence decision making by managers' of microfinance banks?
- iii. To what extent does funds flow statement influence on managers' investment decision in microfinance banks?

The following null hypotheses were formulated to guide the study and tested at .05 level of significance.

Ho1: There is no significant influence of Income statement on managers' investment decision in microfinance banks.

Ho2: There is no significant influence of Statement of cash flow on managers' investment decision in microfinance banks.

Ho3: There is no significant influence of Funds flow statement on managers' investment decision in microfinance banks.

2 Methodology

The research design employed in this study was survey design. The targeted population was 345 managers from 69 branches of 18 microfinance banks registered with Corporate Affairs Commission (CAC, 2015). The 345 managers were used for the study since the population is of manageable size. A purposive or total population sampling technique was employed for the study. Purposive sampling technique is a type of sampling technique where the entire population is being considered for the study. Two researcher-made instruments tagged 'Accounting Information

Questionnaire (AIQ)' and 'Managers Investment Decision-Making in Microfinance Banks Questionnaire (MIDMMFBQ)' was used in the study. AIQ had 24 items measured on a-4 point rating scale of Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD), while MIDMMFBQ had 15 items measured on a-4 point rating scale of Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD). The instrument comprised three sections. Section A seeks the demographic information of the respondents; Section B was concerned with the independent variables (constructs) of the study with 24 items. Section C was concerned with dependent variables with 15 items.

The instruments were validated by three experts in Faculty of Education, two from the Department of Vocational Education and one from Test and Measurement Unit of the Department of Educational Foundations, Guidance and Counseling, University of Uyo. In order to establish reliability estimate for the instrument, it was administered to 50 managers who were drawn from the area of the study but were not included in the main study. The scores obtained were subjected to internal consistency reliability technique using Cronbach. The reliability of the overall coefficient stood at .897. Of the 345 copies of the questionnaire administered to the respondents, 300 copies were completed and returned representing 86.96%. The statistical tools used in answering research questions and to test the null hypotheses at .05 level of significance.

3 Results

Research Question One

To what extent does statement of financial position influence managers' investment decision in microfinance bank?

R-value and R^2 - value of simple regression analysis were used for answering this research question. The result of the analysis is as presented in Table 1.

Table 1: R and R^2 of the extent of the influence of statement of financial position on managers' investment decision making in microfinance banks.

Variables	R	R-square	Adjusted square	R- SEE
Statement of financial position	.701	.491	.458	7.33
Managers' Investment decision				

Source: Field Survey

The result presented in Table 1 revealed that the R-value of .701 is the strength of the relationship between statement of financial position and managers' investment decision while the R^2 -value of .491 indicates that statement of financial position influences managers' investment decision by 49.1%. This result means that the extent to which statement of financial position influences managers' investment decision is by 49.1%.

Research Question Two

To what extent does cash flow statement influence managers' investment decision in microfinance banks?

R-value and R^2 - value of simple regression analysis were used for answering this research question. The result of the analysis is as presented in Table 2.

Table 2: R and R^2 of the influence of cash flow statement on Managers' investment decision making in microfinance banks.

Variables	R	R-square	Adjusted square	R- SEE
Cash flow statement	.823	.678	.645	7.22
Managers' Investment decision				

Source: Field Survey

The result presented in Table 2 revealed that the R-value of .823 is the strength of the relationship between cash flow statement and managers' investment decision while the R^2 - value of .678 indicates that cash flow statement influences managers' investment decision by 67.8%. This result means that the extent to which income statement influences managers' investment decision is by 67.8%.

Research Question Three

To what extent does fund flow statement influence managers' investment decision in microfinance banks?

R-value and R^2 - value of simple regression analysis were used for answering this research question. The result of the analysis is as presented in Table 3.

Table 3: R and R^2 of the extent of the influence of fund flow statement on Managers' investment decision making in microfinance banks.

Model	Sum of Squares	Df	Mean Square	F-cal	F-critical
Regression	1977.045	1	1977.045	24.37*	3.86
Residual	27823.517	343	81.12		
Total	29800.562	344			

**significant at .05 alpha level*

The result presented in Table 3 revealed that the R-value of .875 is the strength of the relationship between fund flow statement and managers' investment decision while the R^2 - value of .766 indicates that fund flow statement influences managers'

investment decision by 76.6%. This result means that the extent to which fund flow statement influences managers' investment decision is by 76.6%.

Hypothesis 1

There is no significant influence of statement of financial position on managers' investment decision in microfinance banks.

Simple linear regression analysis was adopted to test this hypothesis; the result of the analysis is as presented in Table 4.

Table 4: Result of simple linear regression analysis of the influence of statement of Financial position on managers' investment decision making in microfinance banks

Variables	R	R-square	Adjusted R-square	SEE
Fund flow statement	.875	.766	.699	5.32
Managers' Investment decision				

Source: Field Survey

The result in Table 4 shows that the calculated F-value of 24.37 is greater than the critical F-value of 3.86 at .05 level of significance with 1 and 343 degrees of freedom. The result is significant, therefore the null hypothesis that there is no significant influence of statement of financial position on managers' investment decision in microfinance banks was rejected. This result implies that there is a significant influence of statement of financial position on managers' investment decision in microfinance banks.

Hypothesis 2

There is no significant influence of cash flow statement on managers' investment decision in microfinance banks.

Simple linear regression analysis was adopted to test this hypothesis; the result of the analysis is as presented in Table 5.

Table 5: Result of simple linear regression analysis of the influence of cash flow statement on managers' investment decision making in microfinance banks

Model	Sum of Squares	Df	Mean Square	F-cal	F-critical
Regression	3862.463	1	3862.463	51.08*	3.86
Residual	25938.099	343	75.62		
Total	29800.562	344			

**significant at .05 alpha level*

The result in Table 5 shows that the calculated F-value of 51.08 is greater than the critical F-value of 3.86 at .05 level of significance with 1 and 343 degrees of freedom. The result is significant; therefore the null hypothesis that there is no significant influence of cash flow statement on managers' investment decision in microfinance banks was rejected. This result implies that there is a significant influence of cash flow statement on managers' investment decision in microfinance banks.

Hypothesis 3

There is no significant influence of fund flow statement on managers' investment decision in microfinance banks.

Simple linear regression analysis was adopted to test this hypothesis; the result of the analysis is as presented in Table 6.

Table 6: Result of simple linear regression analysis of the influence of fund flow statement on managers' investment decision in microfinance banks

Model	Sum of Squares	Df	Mean Square	F-cal	F-critical
Regression	4433.447	1	4433.447	59.94*	3.86
Residual	25367.115	343	73.96		
Total	29800.562	344			

**significant at .05 alpha level*

The result in Table 6 shows that the calculated F-value of 59.94 is greater than the critical F-value of 3.86 at .05 level of significance with 1 and 343 degrees of freedom. The result is significant; therefore the null hypothesis that there is no significant influence of fund flow statement on managers' investment decision in microfinance banks was rejected. This result implies that there is a significant influence of fund flow statement on managers' investment decision in microfinance banks.

4 Discussion of Findings

The analysis of hypothesis 1 in Table 4 indicates that the calculated F-value of 24.37 was greater than the critical F-value of 3.86 at .05 alpha level as well as 1 and 342 degree of freedom. The deduction from Table 7 is that there was a significant influence of statement of financial position on managers' investment decision-making in microfinance banks in Akwa Ibom State.

The finding is supported by Frank (2011) who observed that the statement of financial position contains information about the firm's obligations, resources and owners' equity. It contains a firm's assets, liabilities and shareholders' equity. This shows that statement of financial position shows the conditions of the business at a fixed date.

Managers should be encouraged to ensure that the information in statement of financial position is accurate, timely and reliable.

The analysis of hypothesis 2 in Table 5 indicates that the calculated F-value of 51.08 was greater than the critical F-value of 3.86 at .05 Alpha level and 1 and 343 degree of freedom. The deduction from Table 9 is that there was a significant influence of cash flow statement on managers' investment decision-making in microfinance banks in Akwa Ibom State.

The finding is supported by Albright and Ingram (2017) who reported that statement of cash flows, when used in conjunction with the rest of financial statements provides information that enables managers and other users to determine the changes in the net assets of an entity its financial structure (including liquidity and solvency) and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.

The analysis of hypothesis 3 in Table 6 indicates that the calculated t-value of 11.840 was greater than the critical t-value of 1.960 at .05 level of significance and 298 degree of freedom. The deduction from Table 10 is that there was a significant influence of funds flow statement on managers' investment decision-making in microfinance banks in Akwa Ibom State.

The finding is supported by Gerdin and Greve (2014) who reported that funds flow statement is an instrument used by management and investors for effective decisions at the time of their investment proposals. It also provides detailed information about profitability, operational efficiency and financial affairs of a concern.

5 Conclusion and Recommendations

5.1 Conclusion

The following conclusions were drawn based on the findings of this study on 'Accounting Information and Manager' Investment Decision-Making in Microfinance Banks. On the basis of this study it can be deduced that there is a high influence of accounting information on managers' investment decision in microfinance banks in Akwa Ibom State. Evidence from the study revealed that, all the five financial statements used vis-à-vis statement of financial position, cash flow statement, and funds flow statement influenced managers' investment decision. The study also showed that accounting information plays a vital role in taking effective, accurate and significant investment decision in microfinance banks. This indicates that to attain transparency, accountability and productivity, managers must prepare financial statement in accordance with the Generally Accepted Accounting Principles (GAAP).

5.2 Recommendations

Based on the conclusion drawn, the following recommendations were made:

1. Microfinance banks should use accounting information for measuring the accuracy of their decisions.

2. Microfinance banks should use accounting information in investment decision making to avoid unnecessary risks and uncertainties.
3. Microfinance banks should be use accounting information in setting accurate organizational objective.
4. Microfinance banks should prepare accurate accounting information to attract investors.

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