EFFECT OF FINANCIAL STATEMENT QUALITY ON INVESTMENT DECISIONS OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract: This study sought to ascertain the effect of Financial Statement Quality on Investment Decisions of quoted Deposit Money Banks (DMBs) in Nigeria from 2010-2019. Specifically, this study examined the effect of Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability on Return on Equity. Ex-Post Facto research design was employed while secondary data were collected from a sample of seven (7) DMBs. Inferential statistics using Pearson correlation and Ordinary Least Square (OLS) regression analysis were applied in order to achieve the study objectives. Results of this study found that Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability have a significant positive effect on Return on Equity of quoted Deposit Money Banks in Nigeria at a 5% level of significance respectively. 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.

Keywords: Financial Reporting, Return on Equity, Financial Statement Timeliness.

Background to the Study

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency. Financial Statement quality is a statement which conveys to management and to interested outsiders a concise picture of the profitability and financial position of a business. Financial statement plays a significant role within the concept of generating and communicating wealth of companies. Financial statements still remain the most important source of externally feasible information on companies. Nevertheless, in the wake of the recent accounting scandals and economic meltdown where billions of naira of investment and retirement wealth have disappeared, the very integrity and survivability of the value relevance of this service has been called to question. Financial Statement quality is an information system that is used for communication purposes and for the purpose of aiding decision making (Amahalu, Egolum & Obi, 2019). The Banking sector of Nigeria is an organized business sector whose business has to do with the monetary transactions of individuals and corporate institution. Corporate organizations have the responsibility to comprehensively prepare and publish their audited financial report for investors and other users. Investment decision involves the commitment of current funds into long term projects for future benefit, as such financial Statement becomes important to the success of these investment opportunities (Mahmoud, 2017). Investment decisions are very crucial and caution must be taken because huge, scarce and hard earned resources are involved, irreversible in nature, risky and have long term implication which no investor would want to be confronted with if negative results occurred. It is likely to be that the timeliness of financial statement may affect the investment strategy of Banks in Nigeria as investment decisions may require continuous Statement update, early presentation of account as well as clarity of account. The perceived relevance of financial Statement is to provide reliable and timely Statement about the true and actual financial position, performance (profitability), and changes in financial position of a business investment opportunity that could be useful to a wide range of prospective investors, managers, directors, financial institutions, financial analysts, government, regulatory agencies, the media, vendors and the general public in making informed or rational investment decision. Investment strategy of Banks may result in demanding timely presentation of financial statement. There is every need for investors to have good knowledge and understanding of the cash flow statement, value added statement, income statement, the price, earnings, value and dividend per share and other relevant financial statements to avoid irrationality in investment decision making. It is against this background that it becomes pertinent to study the effect of financial statement quality on investment decision of deposit money banks in Nigeria.

Statement of Problem

One of the most important statements required in making decision on investment, especially in private sectors, is financial statement. These Statements must be relevant and of high quality. Quality financial statement relating to a business organization is important to users within and without the organization to enhance informed investment decision making. This is to avoid financial reporting fraud and scandals that might hinder effective and informed investment decision making by investors and other users of these Statement. There are challenges of poor results from investment decisions which may be traceable to the quality of financial statement. Banks in the past (such as Oceanic Bank, Intercontinental Bank, Platinum Bank, etc) seem to have experienced the problem of survival as a result of falsification of financial statement and poor investment decision which is the effect of the extent of quality attributed to the account statement. Prior empirical studies investigating the effect of financial statement quality on investment decision showed positive (Amahalu Abiahu, Obi & Nweze, 2018; McNicholas & Stubben, 2019; Paananen & Lin, 2019), insignificant (Biddle, Hillary & Verdi. 2015) and negative effect (Holthausen & Watts, 2011; Balakhrisnan, Core & Verdi, 2013), thereby creating a gap in knowledge which this study tends to address. The primary aim of this present study is to contribute to improving measurement of financial reporting quality. For this reason this study operationalised financial reporting quality in terms of 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, thus, filling the gap in knowledge.

Objectives of the Problem

The broad objective of this study is to determine the effect of financial statement quality on investment decisions of quoted deposit money banks in Nigeria. The specific objectives are to:

i. To ascertain the effect of financial statement verifiability on return on equity of quoted deposit money banks in Nigeria.
ii. To determine the effect of financial statement timeliness on return on equity of quoted deposit money banks in Nigeria.
iii. To examine the effect of financial statement understandability on return on equity of quoted deposit money banks in Nigeria.

Research Hypotheses

Based on the objectives of this study, the following null hypotheses were formulated to guide this study:

Ho_1: Financial statement verifiability has no significant effect on return on equity of quoted deposit money banks in Nigeria.

Ho_2: Financial statement timeliness has no significant effect on return on equity of quoted deposit money banks in Nigeria.

Ho_3: Financial statement understandability has no significant effect on return on equity of quoted deposit money banks in Nigeria.

Conceptual Review

Concept of Financial Statement Quality

According to the Companies and Allied Matters Act 1990 (CAMA), financial statement consists of accounts used to convey quantitative Statement of financial nature about a business to investors, creditors, and others interested in the reporting company's financial condition, results of operations, users and sources of funds. Amahalu, Okoye and Obi (2019) define financial statement quality as a statement which conveys to management and to interested outsiders a concise picture of the profitability and financial position of a business. According to the Financial

Reporting Council of Nigeria (FRCN) (2013) financial statement quality are the areas of communicating to interested parties Statement on the resource obligation and performance of the reporting entity.

Verifiability of Financial Statement

Financial statement should disclose Statement that could be verified from the records of the reporting entity (Lashgari & Moghaddam, 2015). Qualified individuals working independently of one another should be able to deliver similar conclusions upon examination of same data. Verifiability is used for assuring users that information faithfully represents the reality (Statement of Financial Accounting Concept, SFAC, 2010). According to SFAC (2010), there are two ways of verifying financial statement, direct or indirect. Direct verification implies verifying an amount or other representation through direct means like observation, counting or measurement. Indirect verification means checking the inputs by using a model, formula or other techniques and recalculating the outputs using the same methodology that was initially used. There are cases and items that cannot be verified in financial information as these may require necessary disclosure of underlying assumptions, the methods of compiling the information and the factors and circumstances that supports the information.

Timeliness of Financial Statement

Users of financial statement make use of current or up to date Statement, therefore financial statement should be delivered right on time as soon as the accounting period ends so that users can have the desired Statement as at when needed.The final enhancing qualitative characteristic defined in the ED is timeliness. Timeliness means having information available to decision makers before it loses its capacity to influence decisions" (International Accounting Standard Board (IASB), 2008). Timeliness refers to the time it takes to reveal the information and is related to decision usefulness in general (International Accounting Standard Board (IASB), 2008). When examining the quality of information in annual reports, timeliness is measured using the natural logarithm of amount of days between year end and the signature on the auditor's report after year end is calculated. In extant literature, the timeliness of financial reporting has been defined from different perspectives. Totok, (2017) defines it as the period between the company's yearend and the date that the financial report was released for public view. Vestine, Kule and Mbabazi (2016) remarked that the timeliness of financial reports include audit delay, which is the number of days between the balance sheet date and the date the external auditor's report was signed; financial statement issue delay, which is the number of days between the balance sheet date and the date of declaring the notice of the annual general meeting (AGM); and the AGM delay, which is the number of days between the date of the financial year end and the AGM.

Understandability of Financial Statement

Financial statement can be somehow complicated to the uninitiated to understand so it should be prepared such that users will be able to understand the Statement content, this applies to the format or layout of the statement, the preparation of the statement (Zayol, Agaregh, Eneji, 2017).The first enhancing qualitative characteristic, understandability, will increase when information is classified, characterized, and presented clearly and concisely. Understandability is referred to, when the quality of information enables users to comprehend their meaning (International Accounting Standard Board (IASB), 2008).

Investment Decision

Investment is the commitment of current funds or other resources in the expectation of reaping future benefit. Investment decision has to do with an efficient allocation of capital. It involves decision to commit funds in long-term assets. Such decisions are of considerable importance to the firm and the individual since they tend to determine the value and size by influencing the growth, profitability and risk. Kapellas and Siougle (2017) see decision as the selection of alternatives courses of action from available alternatives in other to achieve a given objective. Decision is the process of identifying and selecting a course of action to deal with a specific problem or take advantage of an opportunity. The major tool for these investment decisions is the ratio analysis (Abiahu & Amahalu, 2017). Ratio analysis is the judgmental process which aims at evaluating the current and past financial positions and the results of an entity, with 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 provokes subsequent financial and operational analysis (Kariuki & Jagongo, 2013).

Return on Equity

Return on Equity is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is handling the money that shareholders have contributed to it. In other words, it measures the profitability of a corporation in relation to stockholders' equity. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing (Ezechukwu & Amahalu, 2016). ROE is often used to compare a company to its competitors and the overall market. The formula is especially beneficial when comparing firms of the same industry, since it tends to give accurate indications of which companies are operating with greater financial efficiency, and for the evaluation of any company with primarily tangible rather than intangible assets (Ryan, 2019). Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits (Marshall, 2019).
ROE=Net Income/Shareholder Equity

Financial Statement Verifiability and Investment Decisions

Financial institutions owe duty to fully disclose matters concerning strengths, weaknesses and prospects of their operations so as to aid in making investment decisions because information obtained from its financial reports use to predict future investment. Without the financial reporting quality, there will be a problem of how to invest and evaluation of performance of bank in general. Therefore, financial reporting quality relates to the accuracy with which reported financials of a bank reflects its operating performance and how useful they are in forecasting future cash flows (Nyor, 2013). The ability to present a good and accurate figure for accrual is termed as financial reporting quality. Nwaobia, Kwarbai, Jayeoba and Ajibade (2016) affirmed that financial reporting is one of the products of accounting system that provides the necessary information needed to take economic and investment decisions. This means that, any element(s) of ensuring the possibility of evaluating the past performance with the intention to effectively assess and predict the possible future profitability should be considered as a prerequisite for achieving a high volume of investment. Kapellas & Siougle (2017) found no significant relationship between financial statement verifiability and investment decisions.

Financial Statement Timeliness and Investment Decisions

Financial reporting quality entails the standardization of preparation and presentation of both financial and non-financial information by the financial institution for effective planning and reliable decisions. However, the objective of financial reporting is to provide information that may be useful enough for evaluating management effectiveness in utilising resources under its control to satisfy its users' needs. Financial reports are used by investors and creditors in deciding where to invest their limited resources in a particular organisation or not (Minnis & Shroff, 2017). Kariuki and Jagongo (2013); Mahmoud (2017) found a significant positive relationship between financial statement timeliness and investment decisions.

Financial Statement Understandability and Investment Decisions

Pandey (2005) posited that investment decisions or analysis has to do with an efficient allocation of capital. It involves decision to commit the firm's funds to the long-term assets. Such decisions are of considerable importance to the firm since they tend to determine its value size by influencing its growths, profitability and risk.The investment decisions of a firm are generally known as the capital budgeting decision. This may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years. The two importance aspects of investment decisions are; evaluation of the prospective profitability of new investments and the measurement of a cut-off rate against that the prospective return of new investment could be compared (Anaja & Emmanuel 2015). Fariba and Mehran (2016); Zayol, Agaregh and Eneji (2017) documented the evidence of a positive relationship between financial statement understandability and investment decisions.

Theoretical Framework

Agency Theory

The Agency theory was first proposed by Jensen and Meckling (1976) in a theory of the firm based upon conflicts of interest between various contracting parties such as shareholders, corporate managers and debtors. However since then, the finance theory has developed both theoretically and empirically to allow a fuller investigation of the problems caused by divergences of interest between shareholders and corporate managers. The Agency theory indicates that agency problems arise because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal, Brennan (1995). The main challenge that arises from the agency conflict is how to induce the agent to act in the best interests of the principal. Jensen and Meckling (1976) suggest that this can be achieved through incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders.

Empirical Review

Savita, Chaubey and Durgesh (2017) investigated the significance of accounting information on equity share investmentin companies listed on Indian Stock Exchange. The accounting information variable used to establishthe significance of accounting information on equity share investment. The study investigated theinfluence of financial information on equity share investment decision making. Primary data is used forthe study. Data for the study were collected from a sample of 177 respondents invested in equity market.The study indicates that investor's information seeking behaviour is based on their year of experience, their investment horizon and their investment intention. The study also indicated that years of experience has no significant impact on investment source choice. Similarly it was found that investment horizon has no significant impact on investment source choice.

Zayol, Agaregh and Eneji (2017) investigated the effect of financial information on investment decision of shareholders of banks in Nigeria. The data for the study were extracted from published annual reports of five selected banks in Nigeria from 2009 to 2015. Correlation matrix and regression analysis were deployed to establish the relationship between the variables. The results revealed a positive relationship, indicating that dividend per share have significant influence on investment decision of shareholders of banks in Nigeria. The study recommends that both existing and prospective investors can factor financial information relating to dividend paid per share while making investment decision in shares of Nigerian banks; as dividend per share is positively correlated with investment decisions of shareholders.

Oyebisi, Francis, Samuel and Abimbola, (2018) studied the fair value measurement (IFRS 13) and investing decision by focusing on the Standpoint of Accounting Academics and Auditors in Lagos and Ogun State, Nigeria. The study examined the view of stakeholders as to whether or not Fair Value Measurement (IFRS 13) increased disclosure will lead to more meaningful investment decisions. The study adopted the Survey research design involving the collection of data from auditors of the "Big 4" and accounting academics in selected private universities in Nigeria. Primary data were obtained through the administration of copies of survey questionnaire to respondents. Two hypotheses were formulated and tested using Pearson Product Moment Correlation and Independent Sample T-test at a significant level of 5%. Findings from the study revealed an association between IFRS 13 increased disclosure requirement and investment decisions. The result also revealed differences in the standpoint of accounting academics and auditors regarding the impact IFRS 13 increased disclosure have on investing decisions. The study recommended that the Financial Reporting Council of Nigeria should ensure that all companies in Nigeria fully adopt IFRS 13 in the preparation and presentation of their financial statements.

Methodology

Research Design

The study adopted the *Ex-post Facto* research design to determine the cause-effect relationship among the variables of the study.

Population of the Study

The population of this research study consists of fourteen (14) deposit money banks in Nigeria as at 31st December, 2019. They are; Access Bank Plc, Eco Bank Plc, FCMB Bank Plc, Fidelity Bank Plc, First Bank Plc, Guaranty Trust Bank Plc, Jaiz Bank, Stanbic IBTC Plc, Sterling Bank Plc, Union Bank Plc, United Bank of Africa Plc, Wema Bank Plc, Zenith International Plc, Unity Bank Plc,

Sample Size and Sampling Method

Purposive sampling technique was adapted to select seven (7) banks whose financial statements were available with the Nigeria Stock Exchange from 2010-2019. They include, Access Bank Plc, Fidelity Bank Plc, First Bank Plc, Guaranty Trust Bank Plc, Union Bank Plc, United Bank of Africa Plc, Zenith International Plc.

Sources of Data

The study made use of secondary data. The secondary data were obtained from the annual reports and accounts of the sampled deposit money banks.

Model Specification

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

Model 1: $ROE_{it} = \beta_0 + \beta_1 FSV_{it} + \mu_{it}$

Model 2: $ROE_{it} = \beta_0 + \beta_1 FST_{it} + \mu_{it}$

Model 3: $ROE_{it} = \beta_0 + \beta_1 FSU_{it} + \mu_{it}$

Where:

β_0 = Constant term (intercepts)
β_{it} = Coefficients to be estimated for bank ἰ in period t
μ_{it} = Error term/Stochastic term
ROE_{it} = Return on Equity (dependent variable) of bank ἰ in period t
FSV_{it} = Financial Statement Verifiability (independent/explanatory variable) of bank ἰ in period t
FST_{it} = Financial Statement Timeliness (independent/explanatory variable) of bank ἰ in period t
FSU_{it} = Financial Statement Understandability (independent/explanatory variable) of bank ἰ in period t

Measurement of Variables

Investment Decision (Dependent Variable)
Investment Decision was measured using:

i. Return on Equity (ROE):
   ROE=Net Income/Shareholder Equity

Financial Statement Quality (Independent Variable):
Financial Statement Quality was decomposed into:

i. Financial Statement Verifiability (FSV): was measured with Assurance of Internal Control using 0 and 1dichotomy. If the auditors placed assurance on internal control as contained in the auditors' report, ASIC was coded 1, else 0.

ii. Financial Statement Timeliness (FST): was measured with Timely Audited Account Submission as reported in the auditors' report. If the financial statement was timely submitted, we assign 1, otherwise 0.

iii. Financial Statement Understandability (FSU): was coded 1 if the financial statement as contained in the auditor's report conformed to International Financial Reporting Standard (IFRS), otherwise, we assign 0.

Presentation and Analysis of Data

Table 1 Pearson Correlation Analysis

	ROE	FSV	FST	FSU
ROE	1.000	0.439	0.368	0.440
FSV	0.439	1.000	0.432	0.786
FST	0.368	0.432	1.000	0.801
FSU	0.440	0.786	0.801	1.000

Source: E-Views 9.0 Correlation Output, 2020

Table 1 revealed the existence of a positive relationship between FSV (0.439), FST (0.368), FSU (0.368) and ROE.

Test of Hypotheses

Test of Hypothesis 1

Ho_1: Financial statement verifiability has no significant effect on return on equity of quoted deposit money banks in Nigeria.

H_1: Financial statement verifiability has significant effect on return on equity of quoted deposit money banks in Nigeria.

Table 2 Ordinary Least Square Regression Analysis between Financial Statement Verifiability and ROE

Dependent Variable: ROE
Method: Least Squares
Date: 07/06/20 Time: 15:49
Sample: 2010 2019
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.017324	0.095613	2.014643	0.0459
FSV	0.894673	0.647575	3.739963	0.0003

R-squared	0.192633	Mean dependent var	0.139000
Adjusted R-squared	0.091712	S.D. dependent var	0.123509
S.E. of regression	0.117709	Akaike info criterion	-1.264344
Sum squared resid	0.110843	Schwarz criterion	-1.203827
Log likelihood	8.321722	Hannan-Quinn criter.	-1.330731
F-statistic	7.908749	Durbin-Watson stat	2.330156
Prob(F-statistic)	0.000327		

Source: E-Views 9.0, Regression Output 2020

Interpretation of Regression Result

In table 2 Ordinary least square regression analysis was conducted to test the effect of financial statement

verifiability on return on equity quoted deposit money banks in Nigeria.
The linear regression model becomes;
ROE = 0.017324 + 0.894673FSV+ μ
The coefficient of FSV implies that if the quality of financial statement verifiability increases by 1%, then return on equity would increase by 0.02%, while the probability value = 0.0003 which is less than 5% indicate a significant relationship between FSV and ROE at 5% level of significance. The Durbin-Watson Statistic of 2.330156 suggests that the model does not contain serial correlation. The F-statistic of the ROE regression is equal to 7.908749 and the associated F-statistic probability is 0.000327

Decision

Since the Prob(F-statistic) of 0.000327 is less than the critical value of 5% (0.05), then, it would be upheld that Financial Statement Verifiability has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% level of significance.

Hypothesis II

Ho_2: Financial statement timeliness has no significant effect on return on equity of quoted deposit money banks in Nigeria.

H_2: Financial statement timeliness has significant effect on return on equity of quoted deposit money banks in Nigeria.

Table 3 Ordinary Least Square Regression Analysis between Financial Statement Timeliness and ROE

Dependent Variable: ROE
Method: Least Squares
Date: 07/06/20 Time: 15:50
Sample: 2010 2019
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.063466	0.077774	2.572838	0.0112
FST	0.368460	0.329568	3.978434	0.0001

R-squared	0.205130	Mean dependent var	0.139000
Adjusted R-squared	0.137021	S.D. dependent var	0.123509
S.E. of regression	0.121829	Akaike info criterion	-1.195543
Sum squared resid	0.118738	Schwarz criterion	-1.135026
Log likelihood	7.977717	Hannan-Quinn criter.	-1.261930
F-statistic	8.049941	Durbin-Watson stat	2.143772
Prob(F-statistic)	0.000177		

Source: E-Views 9.0, Regression Output 2020

Interpretation of Regression Analysis

The value of Adjusted R-squared in table 3 showed that 22% of the total variation in dependent variable (ROE) is explained by independent variable (FST) to the determination of ROE while the remaining 78% is caused by other explanatory factors outside this model and this is captured by the error term. The coefficient result shows that FST(β_1=0.368460) is positively related with ROE. The probability value of the slope coefficient indicate that P(x_1=0.0001<0.05). This implies that ROE has a significant positive relationship with FST. The Durbin-Watson figure of 2.143772 indicates the absence of autocorrelation in the regression model. The overall performance of the model is satisfactory as shown by Prob(F-statistics) = 0.000177

Decision

Since the result of the Prop (F-statistic) of 0.000177 is less than the critical value of 5% significance level, leading to the conclusion that FST has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% significant level, hence, H_1 is accepted.

Hypothesis III

Ho_3: Financial statement understandability has no significant effect on return on equity of quoted deposit money banks in Nigeria.

H_3: Financial statement understandability has significant effect on return on equity of quoted deposit money banks in Nigeria.

Table 4 Ordinary Least Square Regression Analysis between Financial Statement Understandability and ROE

Dependent Variable: ROE
Method: Least Squares
Date: 07/06/20 Time: 15:50
Sample: 2010 2019
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.058249	0.069120	2.989895	0.0033
FSU	0.111561	0.361840	5.404162	0.0000

R-squared	0.193661	Mean dependent var	0.139000
Adjusted R-squared	0.122869	S.D. dependent var	0.123509
S.E. of regression	0.117634	Akaike info criterion	-1.265619
Sum squared resid	0.110702	Schwarz criterion	-1.205102
Log likelihood	8.328096	Hannan-Quinn criter.	-1.332006
F-statistic	11.61434	Durbin-Watson stat	2.067006
Prob(F-statistic)	0.000000		

Source: E-Views 9.0 Regression Output, 2020

Interpretation of Regression Analysis

The value of Adjusted R-squared in table 4 showed that 19% of the variation in dependent variable (ROE) is explained by independent variable (FSU) to the determination of ROE while the remaining 81% is caused by other explanatory factors outside this model and this is captured by the error term. The coefficient result shows that FSU(β_1=0.111561) is positively related with ROE. The probability value of the slope coefficient indicate that P(x_1=0.0000<0.05). This implies that ROE has a significant positive relationship with FST. The Durbin-Watson figure of 2.067006 indicates the absence of autocorrelation in the regression model. The overall performance of the model is satisfactory as shown by Prop (F-statistics) = 0.000000

Decision

Since the result of the Prop (F-statistic) of 0.000000 is less than the critical value of 5% significance level, leading to the conclusion that FSU has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% significant level, hence, H_1 is accepted.

Findings, Conclusion and Recommendations

Findings

Based on the analysis of data, the following findings emerged:

i. Financial Statement Verifiability has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% level of significance.

ii. Financial Statement Timeliness has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% significant level.

iii. Financial Statement Understandability has a significant positive effect on return on equity of quoted deposit money banks in Nigeria at 5% significant level.

Conclusion

This study examined the effect of financial statement quality on investment decisions of quoted deposit money banks in Nigeria from 2010-2019 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 disaggregated components, Financial Statement Verifiability, Financial Statement Timeliness and Financial Statement Understandability exerted a significant positive effect on ROE at 5% level of significance respectively.

Recommendations

i. Companies should always maintain that the entire financial reporting process meets the financial accounting standards and common financial reporting practices, so that it can produce output in the form of information that meets fundamental qualities and enhancing qualities.

ii. Banks should ensure that their financial records must be accurate, realistic, complete, timely and efficiently presented to induce appropriate plans and decision such as investment decisions and purchasing decisions proper and adequate accenting system must be set up in order to encourage accountability

iii. Based on the positive relationship between financial statement understandability and ROE, organisations should ensure that financial statements are published to encourage new investors and facilitates the building of public confidence on the enterprises concerned.

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