INFLUENCE OF ACCOUNTING INFORMATION TOWARDS TRANSFORMATION OF ACCOUNTING FOR 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 towards transformation of accounting for managers' investment decision-making in microfinance banks in Akwa Ibom State. Two specific objectives, two research questions and two null hypotheses were formulated to guide the study. The hypotheses were tested at .05 level of significance. A survey design was adopted for the study. The population of the study consisted of 350 managers from 69 branches of 18 microfinance banks. The 350 managers from the 69 branches of 18 microfinance banks were purposively used because it was manageable size. 345 managers 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 three research experts in University of Uyo and a reliability coefficient of .84 and .89 respectively were obtained for the two instruments using Cronbach's alpha test. The null hypotheses were tested using simple linear regression. The findings of this study indicate a significant influence of accounting information towards *transformation of accounting for managers' investment decision-making in microfinance banks in Akwa Ibom State. Based on the findings of the study, it is 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-making, microfinance.

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, 1996).

Accounting information or financial statement provides a way for a firm to present its financial postion or otherwise to shareholders, creditors and the general public and to potential investors, to enable them to 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).

Financial statement analysis reveals the investment opportunities. On the other hand, they can also reveal the strength of a company as well as the potential profit of investing with a particular company or in any business.

The income statement, statement of financial position and cash flow statement provide analysis for making a proper company investment decision. Income statement helps investors to know the company's expense income and profit or loss over a specified period of time. The income statement reports an organization's financial performance over specified period of time. Chandra (2005) opined that income statement help in assessing corporate excellence, judging credit worthiness, forecasting bond ratings and so on. Furthermore, income statement helps microfinance bank managers to invest in money and capital markets.

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, 2001). 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 (Penman, 2001). 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 concerned.

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.

Concept of Investment Decision

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 business environments in which decisions are being made are surrounded 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. Okoli (2008) 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, 2007). According to Khoury (2003) 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. Chandra (2005) 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 (2006) also defined decision making as a commitment to action which has lasting effect on the organization's goal. In making decision sometimes the goals 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 (2006) supported this statement by stating that decision making has to be made based on the uncertainty of returns on investment.

Concept of Micro-finance Bank

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 Odaga (2009), 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 posses 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, 2000).

According to Ukemenam (2000) 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.

Accounting information is crucial for effective management of investment undertaken by the microfinance banks management. Accounting information aids management to know when it is convenience to provide financial services to the active poor and low income earners and to avoid some risks. It also helps managers to invest in money market and capital market.

Income Statements and Managers Investment Decision in Microfinance Bank

Udoh (2003), defined income statement as a statement that presents the revenue, expenses, profit and loss including net income organized during a period of time. In essence, Udoayang and James (2004) pointed out that the income statement presents the results of the operating activities of firms for a period of time. The income statement according to Ntuk (2006), provides a measure of how successful a firm was in achieving its goals for a given time span. Ntuk viewed income statement as a summary of the revenue and the expenses of a business entity for a specific period of time such as a month or a year.

According to Udoh (2003), income statement aids microfinance managers to make placement with commercial banks. This is by checking the liquidity and profitability ratio as well as the interest rate offered by commercial banks. Income statement of microfinance banks aid them to receive funding from a variety of sources. Loans, grants, guarantees and investment from individuals, philanthropists, social investors, local banks, foundations, governments and international institutions are the most common sources of funding.

Income statement measures the company's profitability over a period of time. The profit is determined by investment. In the income statement, the net profit is calculated by subtracting all expenses from income. According to Petryni and Media (2007) income statement provides information of the transaction occurred in a certain period of time called accounting period to managers and other posited that the aim of income statement is to show how profitable the firm has been over a certain accounting period. It reports a summary of how business incurs its revenues and expenses through both operating (investment) and non-operating activities. A result of this statement is given as net profit or loss. Income statement is the most important report that managers, investors, creditors and analysts are interested in.

The income statement allows managers and accounting information users to track revenues (conventionally placed on tight- hand side of the income statement accounts to mimic the fact that revenues are equivalent to an increase in shareholders' equity) and the expenses or costs (conventionally placed on the left-hand side) (Stickney, Brown and Wahlen, 2007).

Statement of Financial Position and Managers Investment Decision in Microfinance Bank

Lucey (2003), noted that the statement of financial position, also known as balance sheet, present the financial position of an entity at a given date. It comprises three elements, namely, assets, liabilities and equity. Statement of financial position helps users of financial statement to assess the financial soundness of an entity. A firm's assets, liabilities and equity at a given time period are presented in the statement of financial position (Petryni & Media, 2007). Statement of financial position aids managers in microfinance to invest in Treasury bill. The microfinance bank invested 5 percent of their total deposit in Treasury bill or government securities with Central Bank of Nigeria, considered as safe, and for economic development. This is in line with five percent of their deposit liabilities required by microfinance policy and supervisory guidelines to be invested in government treasury bills and bonds, considered to be risk free. Treasury bill is a short term debt obligation backed by the Federal government with maturity of less than one year. Treasury bill is the primary instrument for regulating money supply and raising fund via open market operations. Another area of investment by microfinance bank is through Placement of securities with commercial banks. The placement is based on the liquidity and profitability ratio of the commercial banks, and also individual bank's interest rate (Vickery, 2003).

Vickery (2003), observed that through the information in statement of financial position, lenders would be able to make assessment of the operational capacity of the enterprise and then take decision on when to give loan or not and if the enterprise is to be given loan and how much. Vickery (2003), compounded that utilization of statement of financial position information in a business's decision making engenders business success and leads to management effectiveness. He added that a failure of businesses is caused by non-utilisation of the statement of financial position.

Statement of financial position shows the accounting net worth of a business at a given point in time by offsetting resources and obligations to third parties (i.e. other than shareholders). A manager or an investor needs to know what the business resources are, and what the firm's obligations to the third parties are (Stolowy, Lebas, & Ding, 2010).

According to Niswonger and Fess (1989), statement of financial position classifies assets and liabilities as being current and non-current assets include cash and assets that are expected to be turned into cash and consumed within a year. Non-current assets typically held and used for several years include land, building, equipment, patent and long-term investment on securities. Current liabilities include liabilities that are expected to be paid within a year. Examples of current liabilities are the note payable to bank, account payable to suppliers. Non-current liabilities are shareholders' equity and a firm long-term source of fund.

Statement of the Problem

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. 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.

Purpose of the Study

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

1. determine the influence of income statement on managers' investment decision in microfinance banks
2. assess the influence of statement of financial position on managers' investment in microfinance banks.

Research Questions

The following research questions were raised to guide this study:

1. What is the influence of income statement on managers' investment decision in microfinance banks?
2. What is the influence of statement of financial position on managers' investment decision in microfinance banks?

Null Hypotheses

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

Ho_1: There is no significant influence of income statement on managers' investment decision in microfinance banks.

Ho_2: There is no significant influence of statement of financial position on managers' investment decision in microfinance banks.

Methodology

The research design employed in this study was survey design. Survey design typically employs questionnaires and interviews in order to determine the opinions, attitudes, preferences, and perceptions of persons of interest to the researcher (Udoh and Joseph, 2005).

The study was conducted in microfinance banks in Akwa Ibom State. Akwa Ibom State has 18 microfinance banks with 69 branches. The branches of microfinance banks cut across the 3 Senatorial District making 31 Local Government Area. The senatorial districts are: Akwa Ibom North East, Akwa Ibom South and Akwa Ibom North West. Majority of the microfinance banks cluster in the major towns, namely: Uyo, Ikot-Ekpene and Eket.

The targeted population was 350 managers from 69 branches of 18 microfinance banks registered with Corporate Affairs Commission (CAC, 2015).

The 350 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. This is in consonance with Osuala (2005), who stated that the entire population should be studied when the population is small.

Two researcher-made instruments tagged 'Accounting Information Questionnaire (AIQ)' and 'Managers Investment Decision-Making in Microfinance Banks Questionnaire (MIDMMFBQ)' were used in the study. AIQ had 40 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 two sections. Section A was concerned with the independent variables (constructs) of the study with 40 items. Section B was concerned with dependent variables with 15 items.

The instruments were validated by three experts in the University of Uyo.

In order to establish reliability of 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's Alpha. The reliability of coefficient of Accounting Information was .84, while Managers' Investment Decision Making was .89.

Research instruments 'Accounting Information Questionnaire (AIQ)' and 'Managers Investment Decision-Making in Microfinance Banks Questionnaire (MIDMMFBQ)' used in the study were administered on the managers with the help of trained research assistants. Of the 350 copies of the questionnaire administered to the respondents, 345 copies were completed and returned representing 98.57%.

The statistical tool used in testing the hypotheses was simple linear regression at .05 level of significance.

Results and Discussion of Finding

Hypothesis 1: There is no significant influence of income 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 1:

Table 1: Result of simple linear regression analysis of the influence of income statement on managers' investment decision in microfinance banks

Model	Sumof Squares	Df	Mean Square	F-cal	F-crit
Regression	1786.655	1	1786.655	21.87*	3.86
Residual	28013.907	343	81.673		
Total	29800.562	344			

*significant at .05 alpha level

The result in Table 1 show that the calculated F-value of 21.87 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 income statement on managers' investment decision in microfinance banks was rejected.

This result implies that there is a significant influence of income statement on managers' investment decision in microfinance banks. According to Udoh (2003), income statement aids microfinance managers to make placement with commercial banks. This is by checking the liquidity and profitability ratio as well as the interest rate offered by commercial banks. Income statement of microfinance banks aid them to receive funding from a variety of sources. Loans, grants, guarantees and investment from individuals, philanthropists, social investors, local banks, foundations, governments and international institutions are the most common sources of funding.

Hypothesis 2:

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 2:

Table 2: Result of simple linear regression analysis of the influence of statement of financial position on managers' investment decision in microfinance banks

Model	Sum of Squares	Df	Mean Square	F-cal	F-crit
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 in Table 2 show 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.

The analysis revealed that managers of microfinance banks in Akwa Ibom State use statement of financial position in their decision making. Vickery (2003) observed that through the information in statement of financial position, lenders would be able to make assessment of the operational capacity of the enterprise and then take decision on when to give loan or not and if the enterprise is to be given loan and how much. Vickery (2003) compounded that utilization of statement of financial position information in a business's decision making engenders business success and leads to management effectiveness.

Findings

1. There exists a significant influence of income statement on managers' investment decision in microfinance banks.
2. There exists a significant influence of statement of financial position on managers' investment decision in microfinance banks.

Conclusions

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 an influence of accounting information on managers' investment decision in microfinance banks in Akwa Ibom State. Evidence from the study revealed that, all the two financial statements used vis-à-vis income statement and statement of financial position 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).

Recommendations

Based on the findings, 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.
5. Central Bank of Nigeria and tax authorities among others should create investment friendly climate for easy access to loan at low rate and tax holiday and avoid multiple tax regime as prevalent in Nigeria.

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