FINANCIAL STATEMENTS INFORMATION AND INVESTORS' DECISION MAKING: EVIDENCE FROM LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract
The study investigates the impact of financial statements on investment decisions in the Listed Deposit Money Banks in Nigeria, focusing on how information derived from financial statements influences investor behavior. Secondary data were obtained from audited financial statements of ten listed Deposit Money Banks (DMBs) in Nigeria for the period 2019–2024. Key financial ratios, including Current Ratio, Return on Equity (ROE), Asset Turnover,and Debt-to-Equity,were examined as independent variables, while investment decisions were proxied by Market Share Price. A multiple linear regression model was employed to test the relationship between these financial indicators and investor decisions. Empirical results indicate that ROE (β = .721, p<.001) and Asset T*urnover(β = .193, p =.015) had a positive and statistically significant relationship with investment decisions. In contrast, the Debt-to-Equity* Ratio (β = -.215, p = .032) showed a negative and statistically significant relationship with investment, indicating that high financial leverage discourages investment. The Current Ratio (β = 0.078, p = .212) was found to be statistically insignificant. The study concludes that corporate profitability and operational efficiency are the primary drivers of stock market valuation in Nigerian listed banks. Consequently, it is recommended that Deposit Money Banks prioritize optimal equity returns and effective asset utilization strategies to maximize shareholder value, while regulatory authorities ensure strict compliance with reporting deadlines to preserve market integrity.

Keywords: Financial statement information, investment decisions, market share price, Nigerian banks, return on equity.

1.0 Introduction

In the Nigerian capital market, the reliance on published financial accounts has been repeatedly tested by systemic shocks and accounting shifts. For instance, historical banking distress cycles and subsequent Central Bank of Nigeria interventions highlighted severe undercurrents of non-performing loans and creative accounting window-dressing that bypassed conventional audit

frameworks. Despite the mandatory transition to International Financial Reporting Standards intended to bolster transparency, institutional compliance frictions,characterized by regular penalties levied by the Nigerian Exchange Group for delayed financial submittals,underscore a profound operational challenge. This ongoing friction raises crucial questions regarding whether the core metrics in banks' financial statements genuinely drive stock market pricing or if investors look past them due to systemic credibility gaps (Awosusi, 2025; Bello, 2026).

A financial statement is an accounting document that provides an overview of an organization's activities and the company's financial position. Oyedokun (2024) views financial statements as a primary means by which a company communicates its financial information to external parties. Financial statements provide an overview of a company's financial position, performance, and prospects, enabling stakeholders to make informed decisions (Raji & Mustapha, 2024).

Profitable investment decisions are expected to be guided by accurate, comprehensive, and transparent financial statements. These statements are designed to provide information and insights into an organization's financial position, thereby enabling investors to make informed decisions (Ochie, 2024).However, in the Nigerian deposit money banking sector, there is growing concern about the extent to which financial statements information actually influences investment decisions.

Despite regulatory reforms and adoption of International Financial Reporting Standards (IFRS), several cases of financial misstatements, delayed disclosures, and inconsistencies in reporting formats persist. These issues cast doubt on the reliability of financial statements and reduce their usefulness for investment purposes (Odunsi, 2023). Additionally, many investors especially retail investors either lack the expertise to interpret financial data or choose to rely on informal indicators such as market rumors, peer influence, or speculative trends.

The implication of these issues is a possible disconnect between the availability of financial statements and their actual use in guiding investment decisions. This undermines the effectiveness of the capital market and exposes investors to increased risk. It also raises significant questions about the role of analytical tools such as liquidity, profitability and leverage ratios in supporting investor judgment in the Nigerian banking context.

Therefore, this study seeks to examine the impact of financial statements information on investment decision-making, identify the challenges limiting its effective use, and evaluate the key financial indicators that significantly influence investor behavior in Nigerian deposit money banking sector

2.0 Literature Review

Financial statement analysis involves evaluating a company's financial reports to assess its performance and inform strategic decisions. Key components include the income statement, statement of financial position, cash flow statement, and statement of changes in equity. These documents provide insights into a company's profitability, liquidity, solvency, and operational efficiency. In Nigeria, the adoption of International Financial Reporting Standards (IFRS) in 2012 marked a significant shift towards enhancing the quality and comparability of financial statements. This move aimed to improve transparency and attract foreign investment by aligning with global best practices. Studies have shown that IFRS adoption has enhanced the value relevance of accounting earnings, aiding investors in making informed decisions (Odunsi, 2023). Financial statement analysis remains a vital tool for investors in Nigeria, providing essential

insights into a company's financial healthiness and informing profitable investment decisions. While progress has been made in improving financial reporting standards and practices, continued efforts are necessary to address existing challenges and ensure that all stakeholders can effectively utilize financial statements in their investment decision-making processes(Akinleye & Adesina 2019).Investment decisions involve allocating resources to projects with the expectation of future returns. In Nigeria, the investment landscape has been shaped by economic reforms, regulatory changes, and evolving financial reporting standards.These decisions are influenced by various factors, including financial performance indicators derived from financial statements (Anozie et al., 2023). Investment decisions in Nigeria are increasingly influenced by the quality and comprehensiveness of financial reporting. While progress has been made in improving financial reporting standards and practices, continued efforts are necessary to address existing challenges and ensure that all stakeholders can effectively utilize financial statements in their investment decision-making processes (Ajibowu et al., 2020; Nkemdilim et al. 2024)

Signaling Theory

Pioneered by Spence (1973), Signaling Theory posits that asymmetric information exists in financial markets, where corporate managers possess more intrinsic knowledge about firm soundness and performancethan retail investors. Published financial statements serve as a formal signal dispatched to the market. High-quality signals (such as an increasing Return on Equity or efficient Asset Turnover) mitigate informational asymmetry, triggering potential investors sentiment that translates into high buy side volume and appreciation in Market Share Price. Conversely, negative signals like heavy financial leverage (Debt-to-Equity) communicate heightened insolvency risk, leading to capital flight and downward price pressure. This behavioral mechanism directly bridges the empirical gap between reported accounting metrics and dynamic market valuation movements.

Financial statements serve as critical signals to reduce information asymmetry, yet conflicts emerge regarding which disclosures alter investor decisions. In small scale enterprises, Akinnadewo et al. (2023) opined that comprehensive cash flow reporting acts as the most potent signal driving investor choices. Conversely, for large Deposit Money Banks, investors look past baseline financials towards structural signals, El-Maude et al. (2024) established that audit committee expertise positively signals performance, while Usman et al. (2024) note that voluntary integrated reporting signals institutional legitimacy.

Nkemdilim et al., (2024) stress the importance of financial statement analysis in evaluating a company’s financial performance and position before making an investment choice. The choice taken by investors or management on the amount of fund to be invested in opportunities is referred to as the investment decision. Effective capital allocation is a factor in investment choices. It entails choosing to invest the company’s resources in long-term assets.

Bamigboyeet al.,(2024) explored the impact of Enterprise Risk Management (ERM) implementation on earnings quality in Nigerian financial firms. Their objective was to evaluate whether structured ERM frameworks improve financial reporting reliability. Using a Difference-in-Differences (DiD) approach and GMM regression across 50 firms, they found a 45.6% improvement in earnings quality post-ERM adoption. The study concluded that ERM reduces earnings manipulation and enhances transparency. It recommended that regulators enforce ERM disclosure standards and that firms institutionalize robust risk management systems.

Akinadewoet al., (2023) focused on SMEs in Nigeria and the effect of financial reporting components on investment decisions. Using a descriptive survey and responses from 100 SME operators, they examined the influence of the balance sheet, income statement, cash flow, and changes in equity. All components were found to significantly influence investment decisions, with cash flow being most impactful. The study concluded that comprehensive reporting supports SME growth and advised regulatory bodies to enforce standard financial reporting practices among SMEs while encouraging financial education.

Omoregbeeet al., (2025) examined the influence of risk committee attributes on the performance of Deposit Money Banks (DMBs) in Nigeria. It utilized the CAMELS framework and panel data from 10 DMBs over 11 years, focusing on risk committee size, independence, and diversity. The findings of the study showed that larger risk committees negatively impacted Return on Equity (ROE) and Liquidity Ratio (LR) in Tier 1 banks, while diversity enhanced Capital Adequacy Ratio (CAR) and LR in Tier 2 banks. It concluded that optimizing risk committee structures can enhance bank performance.

El-Maude et al. (2024) determined the moderating effect of audit committee financial expertise on the relationship between capital structure and financial performance in Nigerian banks. It conducted a quantitative analysis of listed Deposit Money Banks, focusing on audit committee expertise and capital structure variables. The findings show that audit committee financial expertise positively moderated the relationship between capital structure and financial performance. It concluded that enhancing audit committee expertise can improve financial outcomes.

Okenwa and Jiagbogu (2021) assessed factors influencing the timeliness of financial reporting in Nigerian banks. It analyzed annual reports from Deposit Money Banks between 2011 and 2019, focusing on bank age and audit firm size. The findings showed that older banks and those audited by larger firms tended to report financials more promptly. It concluded that experience and reputable auditors enhance reporting timeliness.

Usmanet al., (2024) identified the drivers of voluntary integrated reporting among Nigerian listed Deposit Money Banks. It surveyed financial statements and disclosures to determine factors influencing integrated reporting adoption. The findings show that regulatory pressure, stakeholder expectations, and competitive advantage motivated banks to adopt integrated reporting. It concluded that Multiple factors drive the adoption of comprehensive reporting practices.

3.0 Methodology

This study adopts an ex-post facto research design to evaluate the relationship between financial statement information and investor decisions within the Nigerian banking sector. An Ex-post facto design is appropriate because the financial events, corporate transactions, operational outputs, and subsequent stock market responses under investigation have alreadyoccurred. Consequently, the independent variables are non-manipulable, ensuring that the empirical relationships observed reflect authentic historical market dynamics.

The target population comprises all thirteen (13) Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) as at the end of the 2024 financial year. These banks operate under the regulations of the Central Bank of Nigeria (CBN) and are mandated to issue IFRS-compliant audited financial accounts annually. To ensure robust data continuity, a purposive

technique was applied to select ten (10) banks for panel analysis. The strict inclusion criteria were established as follows,

i. Continuous listing and active equity trading on the main board of the NGX throughout the explicit six-year observation window (2019-2024).
ii. Availability of uninterrupted, fully accessible, and audited annual financial reports.
iii. Uniform financial year-end and reporting periods (December 31st) to eliminate cross-sectional data timing distortions.

The three excluded banks failed to meet these continuous data parameters due to restructuring, regulatory delays, or listing gaps. The sampled institutions are: Access Holdings PLC, Fidelity Bank PLC, First Bank of Nigeria Holdings PLC, Guaranty Trust Holding Company PLC, Stanbic IBTC Holdings PLC, Sterling Financial Holdings Company, Union Bank of Nigeria PLC, United Bank for Africa PLC, Wema Bank PLC, and Zenith Bank PLC.

The specific time frame (2019-2024) provides critical empirical relevance as it encapsulates major macro-economic shifts within the Nigerian banking sector, including the operational disruptions of the COVID-19 pandemic, subsequent aggressive monetary policy tightening cycles by the CBN, and structural transitions under evolving IFRS asset impairment parameters.

Secondary data were collected from Annual reports and audited financial statements of the selected banks from 2019 to 2024, the Nigerian Exchange Group's periodic market bulletins, and the Central Bank of Nigeria's statistical databases. To examine the impact of financial statement analysis on investment decision-making in the Nigerian deposit money banking sector, this study employed a multiple linear regression model. The model seeks to evaluate the relationship between key financial performance indicators and investment decisions, proxied by Market Share Price. Market Share Price (MPS) is adopted as the dependent variable proxy for investment decisions because it reflects the real-time aggregate of investor sentiment, choices, and valuation actions on the floor of the Exchange. While macro-environment variables interact with equity pricing, market valuation remains highly sensitive to core corporate performance cues released via financial disclosures.

$$\mathbf{Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where;
Y= investment decision indicator (MarketShare Price)
β_0 = intercept
X_1 = profitability ratio
X_2 = liquidity ratio
X_3 = leverage ratio
X_4 = efficiency ratio
ε = error term
β_1, β_2, β_3 = coefficient of independent variables

4.0 Data Analysis, Results And Discussion

The study analyzes the relationship between financial statements information and investment decisions using key financial indicators such as profitability, liquidity, leverage, and efficiency ratios. The analysis aims to identify how these indicators influence investors' decisions in the listed Deposit Money Banking Sector in Nigeria.

Table 1:
Regression Coefficients for Predictors of the Target Variables

Predictor	***B***	***SE***	B	***T***	***P***	**95% CL LL**	**95% CL UL**
Constant	2.317	o.421	---	5.504	,<.001	1.465	3.169
Return On Equity	0.721	0.042	0.715	7.167	< .001	0.634	0.808
Current Ratio	0.076	0.089	0.056	0.875	.212	-.103	0.259
Debt-to-Equity-Ratio	-.215	0.073	-.206	-2.945	.032	-.0316	-0.069
Asset Turnover	0.193	0.068	0.188	2.838	.015	O.053	0.333

Note. CI = Confident Interval; LL = Lower Limit; UL = Upper Limit
Source: Authors' Compilation from SPSS

Table 2:
Model Summary and Analysis of Variance (ANOVA) for the Regression Model

Variable	***R***	***R²***	**Ajd. *R²***	***SE***	F	***df***	***P***
Regression Model	0.784	0.615	0.598	0.473	13.843	(4.35)	< .01

Note N = 40. Predictor: Return on Equity, Current Ratio, Debt--Equity Ratio, Asset Turnover
Source: Authors' Compilation from SPSS

This section presents and discusses the results of the multiple linear regression analysis conducted to examine the significance of the selected financial ratios on investment decisions, proxied by Market Price per Share. The explanatory variables were Return on Equity (ROE) as a measure of profitability, Current Ratio as a measure of Liquidity, Debt-to-Equity Ratio as a measure of leverage and asset Turnover as a measure of operational efficiency.

The regression result shows that Return on Equity (ROE) has a positive and significant effect on investment decision, as measured by Market Price per Share. ROE has an unstandardized coefficient of 0.721, standard error of 0.042, β = 0.715, t = 7.167 and p =0.000. Since the p-value is less than 5% significant level,it indicates that the effect of profitability on share price is statistically significant. The positive coefficient implies that, holding liquidity, leverage, and efficiency constant, 1-unit increase in ROE will give an estimated 0.712 -unitincrease in Market Price per Share.A higher ROE may signal effective management, efficient utilization of shareholders' funds and stronger prospect for generating earnings and consequently companies with higher profitability are mostly likely to attract investors, resulting in increased demand for their shares and ultimately, higher market price.

Influence of Liquidity (Current Ratio) on Investment Decision.
The result for Current Ratio indicates a positive but statistically insignificant relationship with Market Price per Share. The coefficient (β= 0.078) shows a insignificant positive effect of liquidity on investment decisions; however, the p-value (0.212) is greater than 0.05, and the confidence interval spans zero (-0.103, 0.259), indicating no statistically significant relationship.

This implies that short-term liquidity does not significantly influence investor decisions in Nigeria banking sector.

Influence of Leverage (Debt-to-Equity Ratio) on Investment decision, the study shows that Debt-to- Equity has a negative and statistically significant effect on Market Price per Share.

(β = -0.215) indicates that a higher debt-to-equity ratio (i.e., more leverage) leads to a decrease in share price. The result is statistically significant (p = 0.032), and the confidence interval (-0.361, -0.069). Since p-value is less than 0.05, leverage significantly influence investment decision. The negative regression (β = -0.215) indicates that, holding profitability, liquidity and efficiency constant, one-unit increase in the Debt-to-Equity ratio will lead to 0.215-unit decrease in Market Price per Share.

Impact of Efficiency (Asset Turnover)on Investment Decision. The empirical finding shows that Asset Turnover shows a positive and statistically significant relationship with Market Price per Share. (β = 0.193, p = 0.015), with a confidence interval of [0.053, 0.333]. All other variables remaining constant, a one-unit increase in Asset Turnover is associated with an estimated 0.193-unit increase in Market Price per Share.

In summary, the R-value of 0.784, an R-Square of 0.615(R^2 = 0.615), an Adjusted R Square of 0.598 and a Standard Error of the Estimate of 0.473. The R-value of 0.784 indicates a relatively significant relationship between the combined financial ratio and Market Price per Share. Empirical findings showed that profitability, liquidity, leverage and efficiency, when considered jointly, have a significant relationship with investment decisions. The R Square value (R^2 = 0.615) indicates that approximately 61.5% of the variation in Market Price per Share is explained collectively by ROE, Current Ratio, Debt-to-Equity Ratio, and Asset Turnover. The remaining 38.5% of the variation in Market Price per Share is attributable to other factors not included in the model. Conclusively, Money Deposit Banks should structurally manage their asset portfolios to improve Return on Equity, as it represents the most critical parameter used by the stock market to price bank equities and MDBs management should aggressively manage their debt-to-equity ceilings, given that market participants display clear aversion to aggressive capital gearing structures.

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