



Effects of Financial Statement on Financial Decision of Listed Deposit Money Banks in Nigeria

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Abstract: The research analysed the effect of financial statements on financial decisions of listed deposit money bank in Nigeria. The research employed 14 deposit money banks that were carefully chosen from among the Nigerian stock exchange's 21 deposit money banks. The data for the research was gathered from the annual reports of the sampled deposit money banks during a 13-year period, from 2007 to 2020. The data was utilizing with aids of descriptive and inferential analytical techniques. Mean analysis, measure of dispersion, minimum and maximum analysis were among the descriptive analyses performed in the study, followed by correlation analysis, pooled OLS estimation, fixed effect estimation, random effect estimation, and post estimation tests such as restricted F-test, Hausman test, and Pesaran cross sectional independence. Asset tangibility has a favourable but negligible influence on deposit money bank capital structure decisions in Nigeria. It was also revealed that asset tangibility has a negative and minor effect on deposit money institutions' liquidity decisions in Nigeria. As a result, it is clearly showed that asset tangibility influences deposit money bank financial decisions in Nigeria. Credit risk has a positive but negligible effect on deposit money bank capital structure decisions in Nigeria, but a negative but large effect on deposit money bank liquidity decisions, according to the research. Assets and liabilities have a mixed influence on deposit money banks' financial decisions in Nigeria. The study therefore, concluded that deposit money banks in Nigeria should increase the tangibility of their assets, as this will provide investors and depositors with the assurance that their deposits and investments are safe as long as the value of the company's tangible assets exceeds the amount of their risk. This will be used as collateral to get additional cash from creditors, allowing banks to make better capital structure decisions. In addition, deposit money bank management in Nigeria could explore using mild debt in their capital structure components rather than equity. This is due to

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the fact that interest payments on debt obligations are tax deductible, whilst dividends paid to shareholders are not.

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1. Introduction

A financial statement is a description of a company's financial condition, performance, and/or activities for a certain time period. Financial statements are required by law (Atrill & McLaney, 2019). The basis for financial statements is the past performance of an organization, which can then be researched and appraised to forecast future rates of return and risk (ICAN, 2013). It is possible to make a variety of decisions more effectively with the assistance of financial statements. The financial statements of the firms in whose securities an investor is contemplating making a purchase are a valuable source of information for investors. Those in charge of making decisions who are interested in owning full or partial ownership of a firm do so with the expectation that they will get dividends and that the value of their investment will increase over time. Both the amount of dividends paid out and the value of the firm's shares are dependent on how profitable the company is projected to become in the future. As a direct consequence of this, investors are worried about the company's potential future profitability. The data on past earnings and distributions of dividends are used to make projections about future dividends and the rise of share prices. A company's financial performance is one of the most important factors in determining its competitiveness, potential, and economic interests. It is also one of the most important factors in determining the dependability of contracts that are currently in place or that may be entered into in the future. Various methods, including ratio analysis, comparative statement trend analysis, and common-size analysis, can be used to analyze financial statements that are used as decision-making tools by management, shareholders, the general public (bank customers), the regulator (the government), the financial sector, investors, creditors, employees, and the economy as a whole. These financial statements can be analyzed in a variety of ways (Dufera, 2010).

One of the most important aspects of financial statements is the need that they correctly represent information about a company's profitability as well as its current and future financial standing. It is important that the information be provided in such a manner that it is simple to evaluate in relation to the outcomes of the previous year or to those of other organizations that are in a similar position. The information that is included in the financial statement need to be verifiable by making use of the relevant data, and it ought to be completed within a reasonable amount of time after the accounting period comes to a close. The purpose of the research is to provide information about an organization's financial condition, performance, and changes

in financial position that may be utilized by a wide range of users to make economic decisions. However, the kind of analysis that is performed differs from one user to the next. This is because the form of analysis is determined by the purpose of the analyst. According to Okoye and Alao (2008), who assert that financial accounting data may be changed from what they are to what preparers desire by using existing standards and/or neglecting part or all of them, this finding is in agreement with their position. As a consequence of this, senior management has to have access to the company's financial statements in order to evaluate the efficiency of the company's internal control system and to make key business decisions that have an impact on the company's ability to continue its normal operations. In order to make sound decisions for the benefit of the firm, a financial manager has to have a solid understanding of the many different analytical approaches that are available.

The study of accounting data, which is necessary in order to determine the coherence of operational policies, the investment value of the company, credit ratings, and the effectiveness of operations, is made easier by the analytical tools. The techniques are also crucial in the area of financial control because they enable the finance manager to perform frequent inspections of the actual financial operations of the company in order to determine the causes for substantial deviations and to take corrective action as required. Aside from that, the creditor examines the company's financial documents in order to determine not only the company's current ability to meet its commitments, but also the likelihood that it will continue to meet all of its financial obligations in the future. This assessment is based on the company's ability to fulfill its commitments immediately. Those who have invested in the firm by purchasing its shares have a vested interest in the company's financial performance.

As a consequence of this, they concentrate their efforts on conducting an analysis of the company's existing and projected levels of profitability. Investors are also interested in the capital structure of the firm to have a better understanding of how it influences the risk and profitability of the business. The efficiency of management is another factor that is evaluated by investors, along with the question of whether or not there should be a personnel shift. However, in some of the world's largest firms, shareholders' interests are limited to choosing whether or not to buy, sell, or hang on to their shares.

Because of the importance of financial statements, a number of studies have been conducted to investigate their purpose and the ways in which they impact decision-making. However, there haven't been many researches done on the impact that financial statement incentives have on financial institutions, particularly, in Nigeria. It is against this backdrop that this study intends to examine the effects of financial statements on financing decisions of listed deposit money banks in Nigeria.

2. Literature Review

2.1. Financial Statement

In the body of current research and professional writing, academics and industry experts have provided a comprehensive definition of financial statements. According to the Companies and Allied Matters Act of 1990, financial statements are defined as “the basic statement of accounts used to convey quantitative financial information about a business to shareholders, creditors, and others interested in the reporting of a company's financial condition, results of operations, and sources of funds.” In other words, financial statements are the statements of accounts that are used to report a company's financial condition, results of operations, and sources of funds (CAMA). According to Okpe (2015), financial statements are “correct financial information According to Igben (2009), the financial statement is a sensible place to start studying accounting. This is because the vocabulary and ideas utilized in these statements are reflected in the majority of the accounting information we see and use every day. The content of financial statements is derived from the financial transactions engaged into by publishing organizations and enterprises over the preceding accounting period, making them historical in character. Financial statements are monetary values that represent commercial or financial operations using money as a measure of value and reflect whether a firm or concern has made a profit or loss through an income statement or cashflow statement by matching earnings and expenditures. Zayol with his coworkers (2016).

2.1.2. Useful Financial Statement Qualities

The qualitative aspects of financial statements are traits that increase their relevance to consumers, and according to Okpe (2015), published financial statements should have the following qualities:

Precision

Financial statements should provide accurate and complete information about a company's financial situation. It is necessary that the information provided be accurate. False information should not be provided since it may cause the user of such a financial statement to make an incorrect judgment.

Comprehensiveness

To prevent problems, a financial statement should be constructed in such a way that consumers may quickly comprehend the information content, including the statement's structure or style. It must have sufficient information to aid comprehension, but neither too many or too few details.

Comparability

It must be beneficial to compare it to the entity's prior account and maybe other firms' accounts, since this would increase the financial statement's transparency by enabling comparisons over time and across cities.

Consistency

The financial statement, in terms of preparation, presentation, and disclosure of accounting procedures and policies, should ensure a consistent appraisal of a company's workings in a given sector.

Completeness

Because a financial statement is a summary of a business's financial activities, it should be provided in its whole, with no gaps, for the benefit of information consumers and to improve economic decision-making rationality.

Objectivity

To assure and strengthen the reliance of financial statement consumers, financial statements should be created objectively rather than subjectively to minimize prejudice.

Realism

Financial statements should portray an organization in an honest and fair light, and the accounts should not offer the idea of perfect accuracy when it does not exist or has not been.

Relevance

Financial statements are used by a variety of people who want to make good business choices. As a result, the financial report's facts should be able to back up such judgments. Relevance is determined by historical expectations as well as the capacity to forecast future trends.

Timeliness

Users of financial statements want information that is current and accurate. To this aim, financial statements should be produced as soon as the accounting period finishes, in order to meet the necessary criteria. It wouldn't be of any use if it arrived late. Annual reports and financial statements must be released within a few months after the conclusion of the fiscal year.

Verifiability

The financial statement's information should be backed up by the reporting company's records. On the basis of the same evidence, qualified persons working separately should be able to come to the same conclusions.

2.1.3. User of Financial Statements

A financial statement is useful to a variety of users, who may be divided into two groups: internal and external users (Aborode, 2014). Internal and external users include the following individuals:

Management

The financial statement aids management in determining whether the company's operations are successful or not, evaluating individual performance, and assessing the internal control system. In a firm, some are members of the board of directors and management staff since they are the business managers for the owners. They are interested in all areas of the financial statement and analysis of the firm in order to determine the efficacy of the policies they design as well as plan and govern the organization's resources.

Employees

Staff and their union are more concerned with the entity's long-term development, survival, and profitability in order to negotiate and pay higher wages and improve their working conditions.

Investors

This user group is interested in a company's profitability, potential for growth, stability, and dividend distribution. They examine the financial statement trend on a yearly basis to see whether or not the company is progressing. They're also curious in the capital structure of the company to see how it affects its profitability and risk. They also assess the management's efficiency and decide whether or not a change is required. In some major corporations, however, the shareholders' interest is restricted to determining whether to purchase, sell, or keep stock.

Creditors

The liquidity of the firm is of importance to suppliers of products and other short-term lenders. A creditor evaluates a company's capacity to satisfy its debts not just urgently, but also the likelihood of continuing to meet all of its financial obligations in the future, using financial documents. Creditors are especially concerned about the firm's capacity to pay its claims in a timely manner. As a result, their investigation will be limited to a review of the company's cash situation.

Government

In order to create fiscal policies, the government needs financial accounts and other accounting data. The financial statement will also indicate the situation of the firm so that the tax authorities may analyze the company's and workers' tax responsibilities.

Lenders

Lenders, such as banks and other loan providers, will be concerned about the company's capacity to repay the loan on time. As a result, they're worried about the underlying assets' liquidity, profitability, and dependability.

2.1.4. Financial Decision

Investment, finance, and dividend choices are the three types of financial decisions that may be made. The organization's investment choices are based on whether it needs to invest for the long run or the short term. The long-term investment option is to invest in the organization's capital assets, whereas the short-term investment decision is to manage the organization's working capital. The firm's finance policy takes into account the firm's investment needs and allocates cash appropriately. Long-term fund interest rates are lower than short-term fund interest rates. An organization's finance manager must choose financing sources that result in the most optimal and efficient capital structure possible. The finance manager's job is to determine the appropriate debt-to-equity ratio in the total capital mix. Bigger debt entails a higher interest payment as well as a greater danger of default. Increased equity increases the company's long-term capital, but it also raises shareholder expectations in the form of a greater dividend. Financing choices are made with the goal of growing shareholder value while also enhancing the organization's profitability. While determining the financing strategy, dividend distribution is an essential part of the organization. The most important consideration when deciding on a dividend is establishing the amount of earnings that may be distributed to shareholders.

The dividend policy and future prospects must be considered while deciding on a payout. Equity and debt are the two most common types of capital (Whitehead 2009). Debt is a kind of external financing with a fixed interest rate. Capital markets, which include commercial banks, investment banks, and other financial institutions like insurance firms, superannuation funds, and so on, provide the majority of it. However, in 2010, Pandey added a fourth option to the three fundamental financial decisions, dubbed the liquidity decision, to create a total of four. In most choices, the financial objectives of liquidity and profitability clash. The problem of managing liquidity and profitability is constantly seen or confronted by the finance manager. The word "liquidity" refers to a company's capacity to pay bills and have cash on hand in case of an emergency, while "profitability" refers to a company's ability to maximize profits with the resources available. Profitability will suffer if a financial management tries to satisfy all of the responsibilities. Similarly, if he wishes to put money into short-term securities, he may not be able to pay off his debts. In severe cases, a company's lack of cash might lead to insolvency.

2.2. Theoretical Review

2.2.1. Theory of Proprietary and Residual Equity

Proprietary equity theorists like Husband (1938) argued that a company's accounting procedure should be handled from the standpoint of its shareholders. The residual equity theory was created by Staubus (2010), who believes that accounting should be done from the viewpoint of residual equity holders, which in a going concern is the same as that of common shareholders. Financial statements are created from the perspective of the business owners and are intended to evaluate and assess their net value, as indicated by the accounting equation:

Equity, proprietorship, or net worth are all examples of assets-liabilities.

The assets are the owners' assets, and the liabilities are the proprietors' liabilities, according to the proprietary perspective. "Liabilities are negative assets - negative qualities, which must be precisely identified and segregated in the accounting process," according to Newlove & Garner (1951), under proprietary theory. In a proprietorship, revenues are rising while costs are down. "The excess of revenues over costs," as defined by net profits, "accrues directly to the owners; it indicates a gain in the proprietors' wealth". Staubus (2010), Hendriksen and Van Breda (1992), and Hendriksen and Van Breda (1992), reduced the idea of owners to common stockholders and treated preference shareholders as liability holders, emphasizing the significance of forecasting future cash payments for investors.

2.2.2. Portfolio Investment Theory of DuPont Mean-Variance

According to Adebimpe (2009), who modified the DuPont equation, it is a phrase that divides return on equity into three parts. The word was coined by the DuPont Corporation in the 1920s, which devised and implemented the portfolio formula into their business operations. According to the Markowitz Mean-Variance Portfolio Theory, a firm's profit is determined by total sales, total assets, shareholder equity contribution, and liabilities (debts). This formula is known by many various names, including DuPont analysis, DuPont identification, the DuPont model, the DuPont technique, and the strategic profit model.

ROE = Net income / Sales x Sales / Total Assets 2.

Sales Total Assets Average Shareholder Equity

Profit margin times asset turnover times financial leverage equals ROE in the DuPont calculation. The profit margin multiplied by asset turnover multiplied by financial leverage, according to DuPont's calculations, equals the return on equity. Companies may more quickly grasp and appreciate changes in their ROE (return on equity) over time by breaking it down into three sections.

2.3. Empirical Evidence

Adebayo, Idowu, Yusuf, and Bolarinwa (2013) examined how accounting information systems might help businesses make better investment choices. The data for the research came from primary sources, which were collected through surveys. In order to analyze the data, the researchers used regression and Karl Pearson's correlation. The conclusions of the research revealed that in today's tumultuous environment, an accounting information system is an essential tool in making investment decisions. Organizations should invest in information technology solutions to increase their productivity, effectiveness, and overall performance, according to the report.

Murage (2013) looked at how credit risk affected deposit-taking microfinance firms' corporate liquidity in Kenya. The research used secondary data on five DTMs selected to reflect Kenya's nine DTMs from the Central Bank of Kenya and the Association of Microfinance Institutions. Correlation analysis, regression analysis, descriptive analysis, and variance analysis were used to examine data from 2011 to 2013. For DTMs, credit risk and debt-to-equity ratio showed a favorable link with business liquidity. On the other hand, corporate liquidity was negatively correlated with portfolio to asset ratio, operating cost ratio, and paR. According to the findings, deterioration in credit portfolio quality, very high operating expenditures, and PaR may have a long-term impact on a firm's profits or capital, negatively impacting liquidity.

Michael (2013) also used a survey study approach to assess the degree to which corporate investors rely on public financial reports, collecting primary data from 150 corporate investors and senior management personnel from chosen institutions. Data was analyzed through descriptive statistics and percentage analysis, and hypotheses were tested with t-test statistics. One of management's major obligations to investors, according to the research, is to provide a standardized financial statement that has been assessed and validated by a trained auditor. The findings of the study show that when it comes to making investment choices, investors place a high value on the reliability of auditors' certification of financial statements, and as a consequence, publicly available financial statements are critical. To prevent making poor investment choices that might result in a loss of cash and subsequent lawsuit, financial reports should be prepared with sufficient care and due diligence.

The influence of asset tangibility on capital structure was studied by Olakunle and Emmanuel (2014), with a focus on Nigerian publicly traded companies.

From 1997 to 2007, the researchers used an econometric technique to estimate the association between capital structure theories (static trade-off theory, agency cost theory, and pecking order model) and the financing choices of listed Nigerian enterprises. From 1997 to 2007, secondary data was obtained from 216 Nigerian companies that were listed on the stock market. The asset tangibility values for total

debt and short-term debt, respectively, were 0.111 and 0.084 in the regression study. The investigation came to the conclusion that the findings obtained from publicly traded Nigerian companies contradict those obtained in Western nations. According to the research, comparing market leverage to book leverage will be helpful in determining the robustness of reported outcomes.

Mostafa, Boregowda, and Bahadur (2014) investigated the literature on five capital structure hypotheses. Internal and external finance are the two primary sources of funding for businesses, according to the report. Internal finance is based on retained profits, whilst external financing might take the form of debt or stock. According to the report, companies spend in order to maintain and develop their business. Financing choices made by businesses are critical for these reasons. The most accepted theories of capital structure, according to the research, are classical trade-off theory and pecking order theory. Although it is impossible to say if debt provides a tax advantage on balance based on the literature, it can be said that the share price rises when debt is issued and decreases when an equity issuance is announced. Leverage is closely connected to the value of the business, default likelihood, free cash flow, level of regulation, liquidity value, interest coverage, cost of investigating the firm's prospects, and chance of reorganization during default, according to the research. Leverage, on the other hand, is projected to be inversely proportional to growth prospects and management repute.

Anaja and Onoja (2015) looked at the importance of financial statements in investment decision-making in Nigeria, using United Bank for Africa Plc as an example. Secondary data from the bank's financial statements for the previous 10 years was utilised in the research. To evaluate the hypotheses, the researchers used the ordinary least squares (OLS) regression approach. The regression equation's parameter estimations showed that the bank's financial statement transparency has a considerable impact on the users' investment decisions. The results revealed that one of the primary responsibilities of management to investors is to provide a standardized financial statement evaluated and authenticated by a qualified auditor or financial expert, based on the descriptive statistics and percentage analysis used for the verification of the questionnaire collected via the survey method. Profitability, assets, liabilities, and equity of banks are important methods to evaluate a bank's report on investment decision making, according to the study's findings. As a result, the research suggested that enough care and due diligence be used in the creation of financial statements to prevent making poor investment choices that might result in a loss of cash and probable lawsuit. Suh (2017) looked at the importance of financial statements in investment choices, focusing on the Yaounde branch of Bamenda Police Cooperative Credit Union Limited. The key financial statements used in the research were the balance sheet, income statement, and cash flow statement. Financial reporting has a role to play in investment choices, as shown by the replies. Primary and secondary sources of data were employed in the data

gathering, and these data were examined using frequency tables. Investment choices, according to the report, allow company leadership to evaluate numerous investment alternatives and demonstrate how departments should make sound business judgments. Management should ensure that reports are presented in a timely and organized manner to assist enhance investments, according to the research.

Based on the findings, it is clear that little study has been conducted in Nigeria on the impact of financial statements on financial choices. The impact of financial statements on capital structure and liquidity choices was hardly acknowledged in the few research that were conducted. These studies were interesting since they were exploratory and qualitative in character, and they used questionnaires to gather data. As a result, using secondary data and panel data analytical methodologies, this research looked at the impact of financial statements on financial decisions made by Nigeria's listed deposit money banks.

3. Methodology

3.1. Model Specification

A link is drawn between asset components and deposit money bank capital structure choices in the model formulation. The study generates six indicators from the assets side of the financial statement to measure the effect of assets in the financial statement on deposit money bank capital structure decisions in Nigeria: asset tangibility, firm size, growth opportunity, asset quality, loan quality, and equity multiplier. Here's how the model works:

$$CSD_{it} = \pi_0 + \lambda_1 ATG_{it} + \lambda_2 FSZ_{it} + \lambda_3 GRT + \lambda_4 ASQ + \lambda_5 LQ + \lambda_6 EM + \varepsilon_{it0} \dots \dots \dots 3.1$$

$$CSD_{it} = \pi_0 + \lambda_1 ATG_{it} + \lambda_2 FSZ_{it} + \lambda_3 GRT + \lambda_4 ASQ + \lambda_5 LQ + \lambda_6 EM + \varepsilon_{it1} \dots \dots \dots 3.2$$

$$CSD_{it} = \pi_0 + \lambda_1 ATG_{it} + \lambda_2 FSZ_{it} + \lambda_3 GRT + \lambda_4 ASQ + \lambda_5 LQ + \lambda_6 EM + \varepsilon_{it2} \dots \dots \dots 3.3$$

Where CSD stands for capital structure decision, ATG for asset tangibility, FSZ for firm size, GRT for growth opportunity, ASQ for asset quality, LQ for loan quality, EM for equity multiplier, 1–6 for variable coefficients, 0 for constant, I for deposit money banks, and t for study time frame.

3.2. Sample Size and Sampling Techniques

The research used purposive sampling approaches, with the exception of Jaiz Bank and Skye Bank, whose annual financial statements were not accessible for all of the selection years. Thus, 13 banks are selected for the research during a 13-year period, from 2007 to 2020, out of the 21 listed deposit money in Nigeria.

3.3. Source of Data and Analysis Techniques

The data for the research was derived from the audited financial reports of the sampled banks throughout the study period. Because information on the variables employed in the study can only be obtained in the financial statements of the banks, secondary sources of data were utilised.

To describe the variables in this research, descriptive statistics such as mean, variance, minimum, and maximum values were used. Panel unit root analysis, panel co-integration analysis, and panel data multivariate analysis were then performed. The panel unit root test was carried out using Levin-Lin-Chi, and it's important to note how many times the variables were discriminated to clear the unit root and make the data stationary. At the conclusion of the day, a panel co-integration test was performed to determine the nature of the relationship between the variables. The Pedroni co-integration test was utilized in this work, which was followed by pooled OLS estimation, fixed effect estimation, random effect estimation, and the Hausman test.

4. Results and Discussion

4.1. Descriptive Statistics

Table 4.1. Selected Descriptive Statistical Values on the Variables:

Variable	Mean	Std. Dev.	Min	Max
csd	7.350482	14.97328	-6.246789	191.2567
liq	.744798	.2875533	.0355044	2.463543
atg	.0389292	.0181381	.0128083	.1373812
fsz	6.185826	1.112357	4.288585	9.544029

Note: atg, fsz, grt, cr, brw, represents asset tangibility, firm size, growth opportunity, credit risk, borrowing, deposit respectively.

Source: Author's Computation (2022)

The mean, standard deviation, minimum, and maximum values of the variables used in this research are shown in Table 4.1. Except for the possibility for expansion, all of the variables' mean values are positive. The unifying aspect of these variables is that they all show a growing trend during the sample period, indicating that the components of deposit money banks' assets and liabilities do not remain constant but rather rise over time. The average capital structure of deposit money banks is 7.350482, indicating that debt is used more than equity in their capital structure. The average liquidity value is .744798, indicating that deposit money institutions have surplus liquidity but lower profitability and risk. Furthermore, the value indicates that deposit money bank management did not advance excessive loans throughout the sample period, allowing the banks to satisfy their customers' claims. Similarly, the average asset tangibility value is .0389292, indicating that the fraction of tangible

assets in total assets is infinite-decimal and that deposit money banks invest more in intangible assets than physical assets. The average business size in Nigeria over the survey period was 6.185826, indicating a significant growth in the size of deposit money institutions. This is corroborated by the average value of growth potential, which is 37.42644, indicating that Nigerian deposit money institutions continue to develop at a steady pace across the sample period. The average asset quality value is 0.094298, which indicates the number of problematic loans in deposit money institutions throughout the sample period. This means that throughout the sample period, about 9% of all loans issued by deposit money institutions are suspect. The average loan quality value of 0.5158122 corroborates this. According to this, roughly 52% of client loans will be refunded to deposit money institutions over the sample time.

The average equity multiplier is 8.461469, indicating that deposit money banks have borrowed more funds in order to transform assets into assets with share capital. The average credit risk value is 0.094298, indicating that non-performing loans account for around 9% of total loans issued by banks, implying that deposit money banks in Nigeria suffered less losses during the sample period. The average borrowing value is 0.0717203, indicating that the percentage of deposit money banks' borrowings to total liabilities is quite minimal throughout the sample period. The average deposit value is 0.7646012, indicating that the deposit money bank's deposit-to-total-asset ratio is high during the sample period. The average value of short-term debt is 0.7596708, indicating that short-term debt accounts for 75.96 percent of deposit money bank debt, while long-term debt is 0.0599565, or around 6% of total debt. The total debt is 0.8512785, or almost 85 percent, indicating that the deposit money institutions' capital structure is dominated by debt rather than equity. Because it has the greatest standard deviation value (194.8412) and the biggest range of -0.9999931 to 1215.951, the growth potential is the most volatile of the variables under investigation. Asset tangibility, on the other hand, is the least volatile, with a standard deviation of 0.0181381 and range values ranging from 0.0128083 to 0.1373812.

4.2. Correlation Matrix

Table 4.2. Correlation Matrix for the Assets Components

Variables	atg	fsz	grt	lq
atg	1.0000			
fsz	-0.1871	1.0000		
grt	-0.2836	0.1599	1.0000	
lq	0.0345	-0.0880	0.0149	1.0000

Source: Author's Computation, (2022)

Table 4.2 demonstrates the correlation coefficients between asset tangibility, liquidity, company size, growth opportunity, loan quality, asset quality, and equity

multiplier for each pair of asset proxy variables. The association between asset tangibility, company size, growth potential, loan quality, asset quality, and equity multipliers is shown in the first column. The first pair has a correlation value of -0.1871, the second pair has a correlation coefficient of -0.2836, the third pair has a correlation coefficient of 0.0345, the third pair has a correlation coefficient of -0.1058, and the fifth pair has a correlation coefficient of -0.0016. Asset tangibility moves in the same direction as loan quality in the first column, but moves in the opposite way with firm size, growth potential, asset quality, and equity multiplier. The link between company size, growth potential, loan quality, asset quality, and equity multipliers is shown in the second column, with coefficients of 0.1599, -0.0880, -0.1119, and -0.0667, respectively. This means that whereas loan quality, asset quality, and equity multiplier all move in the opposite direction, firm size increases in the same direction as growth potential. With correlation coefficients of 0.0149, 0.0249, and 0.0168, the third column indicates the relationship between growth opportunity, loan quality, asset quality, and equity multipliers. This means that loan quality, asset quality, and equity multipliers all move in the same direction as the growth potential. With coefficient values of 0.0938 and 0.6820, the fourth column depicts the correlation coefficient between loan quality, asset quality, and equity multipliers, indicating that loan quality moves in the same direction as asset quality and equity multiplier. The connection between asset quality and equity multiplier is shown in the fifth column of the correlation matrix, with a coefficient of -0.0760, indicating that asset quality and equity multiplier move in the opposite direction. As a result, there is evidence of moderate correlation coefficients, which inevitably imply that each pair of variables is not totally linked, refuting the concept of multicollinearity or perfect collinearity. As a result, our model has no issues with multicollinearity.

Table 4.3. Correlation Matrix for the Liabilities Components

Variables	cr	brw	dd	shd
cr	1.0000			
brw	0.3516	1.0000		
dd	0.1037	0.0706	1.0000	
shd	-0.4026	-0.2428	-0.2120	1.0000

Source: Author's Computation, (2022)

Table 4.3 illustrates the association coefficients for each set of liabilities proxy variables: credit risk, borrowings, deposit, short-term debt, long-term debt, and total debt. Credit risk, borrowings, deposits, short-term debt, long-term debt, and total debt are all correlated in the first column. The correlation coefficients for the first pair are 0.3516, 0.1037, -0.4026, 0.0864, and 0.6878, respectively. Credit risk moves in the same way as borrowings, deposits, long-term debt, and total debt in the first column, but it goes in the opposite direction with short-term debt in the second column. Borrowings, deposits, short-term debt, long-term debt, and total debt are all

correlated in the second column, with correlations of 0.0706, -0.2428, 0.5937, and 0.3682, respectively. This means that although short-term debt travels in the opposite direction, deposit, long-term debt, and overall debt move in the same direction. With correlation coefficients of -0.2120, 0.1039, and 0.1674, the third column depicts the relationship between deposit, short-term debt, long-term debt, and total debt. This indicates that although long-term debt and overall debt move in the same direction, short-term debt moves in the other way. The fourth column displays the correlation coefficient between short-term debt, long-term debt, and total debt, which is -0.1670 and 0.0954, respectively, indicating that short-term debt travels in the opposite direction from long-term debt but in the same direction as total debt. The correlation between long-term debt and total debt is 0.3571 in the fifth column of the correlation matrix, indicating that long-term debt and total debt move in the same direction. As a result, there is evidence of moderate correlation coefficients, which inevitably imply that each pair of variables is not totally linked, refuting the concept of multicollinearity or perfect collinearity. As a result, our model has no issues with multicollinearity.

4.3. Unit Roots Test

In carrying out the inferential analysis of the proposed effect between the financial statement and financial decision, the study, first test for unit root using Harris-Tzavalis technique.

Table 4.4. Harris-Tzavalis Unit Root Test

Variable-Series	HT-Stat	Z-Stat	P-Value
atg	0.2651	8.5750	0.0000
fmz	2.9079	2.0121	0.0079
grt	-0.0913	-14.4446	0.0000

Source: Author's Computation (2022)

Table 4 shows the results of the Harris-Tzavalis (HT) unit root test on the variables utilized in this investigation. All of the HT statistics are greater than the essential z values, as can be seen from a cursory glance at the table. This is also supported by the p values, which are smaller than the alpha value of 5%. The null hypothesis of panels unit root is therefore rejected with 95% certainty. As a result, there is no unit root in the panels, and all variables are $I(0)$ or stationary at level. This indicates that the data series have been cleansed of unit root or white noise and may now be fitted into the models described in Chapter 3 for further estimation. The pooled regression, fixed effects, and random effects models are suggested to be calculated theoretically. For each block, these three models can't be calculated at the same time. As a result, in each situation, the random effect must be tested against the pooled; the fixed effect

must be tested against the pooled; and the random effect must be tested against the fixed effect.

Table 4.5. Test of Random Effects Model against the Pooled

Specification	Statistical-Value	P-Value
Block One: $csd=f(atgfszgrtasqlqem,\epsilon)$	1.00	0.0000
Block Two: $liq=f(atgfszgrtasqlqem,\epsilon)$	1.31	0.0264
Block Three: $csd=f(crbrwddtdbshlddb,\epsilon)$	0.08	0.0390

Source: Author's Computation (2022)

The Breusch and Pagan Lagrangian multiplier test is used to compare the random effects model to the pooled regression model for each of the block specifications in the research. Table 4.5 summarizes the test outcomes. The test statistics are clearly asymptotically huge in each instance, with a 0% probability value. As a result, the null hypothesis that there are no panel effects is rejected at an alpha value of 5%. This shows that in the four blocks, the random effects model looks to be more appropriate or resilient than the pooled regression model. As seen in Table 4.6, the research also compares the fixed effect to the pooled effect:

Table 4.6. Fixed Effect Model against Pooled Model

Specification	Statistical-Value	P-Value
Block One: $csd=f(atgfszgrtasqlqem,\epsilon)$	0.83	0.0493
Block Two: $liq=f(atgfszgrtasqlqem,\epsilon)$	1.77	0.0487
Block Three: $csd=f(crbrwddtdbshlddb,\epsilon)$	0.91	0.0232

Source: Author's Computation, (2022)

Table 4.6, shown that the p-values in all the four models specified are less than 5 percent and this implies that the fixed effect model is appropriate in each of the four model specifications than the pooled effect. Having confirmed that the random effect and fixed effect are more appropriate than the pooled effect, the study proceed to tests the random effects against the fixed effects and the results are reported in Table 4.6.

4.4. Discussion of Findings and Implications

The research examined the impact of financial statements on the financial decisions of Nigeria's publicly traded deposit money institutions. According to the data, asset tangibility has a favorable but little impact on deposit money bank capital structure decisions in Nigeria. Furthermore, the investigation found that asset tangibility had a negative and minor impact on deposit money institutions' liquidity decisions in Nigeria. As a result, it is clear that asset tangibility influences deposit money bank financial decisions in Nigeria. The results of Olakunle and Emmanuel are supported by this research (2014). This means that when deposit money banks' physical assets

improve, the banks' financial decisions improve as well. The findings demonstrate that business size and equity multiplier have a negative and minor impact on deposit money bank capital structure decisions in Nigeria. This is also consistent with the results of the study, which show that business size and equity multiplier have a negative and minor impact on deposit money bank liquidity decisions in Nigeria. Based on these findings, it can be concluded that business size and equity multiplier have an indirect impact on deposit money bank financial decisions in Nigeria. Mostafa, Boregowda, and Bahadur found that the outcome of the equity multiplier, which acts as a measure of capital adequacy, is consistent with their results (2014). The argument is that when Nigerian deposit money institutions have sufficient capital, depositors see them as safe banks, which attracts huge deposits. As a result, the debt component of the banks' capital structure will be reduced. Furthermore, as a consequence of high-risk investments with greater returns that they could not have made with debt owing to debt covenants prohibiting borrowers from funding high-risk investments, banks' liquidity would always be reduced.

The research also discovered that asset quality has a favorable but little impact on deposit money banks' capital structure decisions in Nigeria. This is somewhat in line with the results of the study, which found that asset quality has a favorable and substantial impact on deposit money institutions' liquidity decisions in Nigeria. Asset quality has a clear association with deposit money bank financial decisions in Nigeria, according to these data. This is in accordance with Miller and Noulas' (1997) results, which claim that a decrease in loan loss provisions is often the key driver for increased profit margins. An rise in asset quality suggests an increase in the quantity of dubious loans, which would have a beneficial influence on the percentage of debt in the components of the capital structure of Nigerian deposit money banks while sending a negative signal to prospective creditors. The research also found that loan quality has a negative and minor impact on deposit money bank capital structure decisions in Nigeria, but a positive but small impact on deposit money bank liquidity decisions. According to these data, loan quality has a mixed impact on deposit money banks' financial decisions in Nigeria. The results of Mare (2012), who discovered a positive association between loan quality and liquidity, are consistent with the findings of this research. Credit risk has a positive but negligible influence on deposit money bank capital structure decisions in Nigeria, but a negative but large effect on deposit money bank liquidity decisions, according to the research. This means that, in the case of deposit money banks in Nigeria, credit risk has sufficed to be a diminishing factor of capital structure decisions but a rising determinant of liquidity decisions. Based on these findings, it is obvious that credit risk has a mixed impact on deposit money banks' financial decisions in Nigeria. The results of Murage (2013), who discovered a positive link between credit risk and liquidity, are consistent with the findings of this research. The research also found that deposits had a favorable but little impact on deposit money banks' capital structure decisions

in Nigeria. However, the study of the data revealed that deposits had a negative but considerable impact on deposit money institutions' liquidity decisions in Nigeria. This means that when deposits grow, deposit money banks' capital structure decisions will be influenced adversely, whereas deposit money banks' liquidity decisions will be influenced positively. This generally demonstrates that deposits have a varied impact on deposit money institutions' financial decisions in Nigeria.

5. Recommendations and Conclusion

The research indicated that asset and liability had a mixed influence on deposit money banks' financial decisions in Nigeria based on the data. As a result, the study's findings are inconclusive because other factors such as the state of the economy, financial institutions' lending policies, and government policies, among others, may pose a challenge to firms' financial decisions and the components of their assets and liabilities in the financial statement. The study concluded that deposit money banks in Nigeria should increase the tangibility of their assets, as this will provide investors and depositors with the assurance that their deposits and investments are safe as long as the value of the company's tangible assets exceeds the amount of their risk. This will be used as collateral to get additional cash from creditors, allowing banks to make better capital structure decisions. In addition, deposit money bank management in Nigeria could explore using mild debt in their capital structure components rather than equity. This is due to the fact that interest payments on debt obligations are tax deductible, whilst dividends paid to shareholders are not.

Suggestions for Future Research

This research focused only on the asset and liability components of the statement of financial position, ignoring other financial statements such as the statement of comprehensive income and the cash flow statement, among others. As a result, future research should focus on the impact of financial statements on financial decisions, with a focus on the statement of comprehensive income and cash flow statement. Furthermore, the research used a panel data model, which is static in nature and is estimated via regression analysis, implying that the study fails to account for the uncertainty and dependency among the variables studied. Further research in this area should use a dynamic panel vector autoregressive model that accounts for uncertainty and interaction among dependent and independent variables. Furthermore, the study is confined to publicly traded deposit money banks; as a result, future research in this field should concentrate on other sectors of the economy, such as publicly traded manufacturing firms and publicly traded oil companies, among others, to corroborate the conclusions of this study.

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