Article

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FINANCIAL INFORMATION AND SHAREHOLDERS' INVESTMENT DECISIONS: EVIDENCE FROM DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study investigated the effect of financial information on shareholders' investment decisions among listed deposit money banks in Nigeria. The specific objective was to examine the extent to which leverage analysis, and profitability analysis affect equity shareholding. The selected research design was *ex-post facto.* The study's population encompassed all thirteen (13) listed deposit money banks in Nigeria. The study employed a purposive sampling method to select ten deposit money banks, chosen based on the availability of financial reports and audit data. The data for this study were extracted from the published financial statements of the sampled banks, covering the period from 2013 to 2022. Ordinary Least Squares (OLS) technique was employed to test the hypotheses, complemented by descriptive statistical analysis. The findings revealed that leverage analysis has a significant positive effect on equity shareholding among listed deposit money banks in Nigeria. The study recommends that deposit money banks in Nigeria should maintain a judicious approach to leverage, periodically reassessing debt levels to strike a balance that optimizes financial health while mitigating excessive risk, thereby fostering investor confidence.

Keywords: Leverage, Profitability and Shareholders' investment decisions

Introduction

A financial statement is a comprehensive document that is prepared by an entity to show its activities during the year and its current positions at the year ending. The financial statements include statement of changes in equity, income statement, statement of financial position, statement of cash flow and notes to the accounts. It is very important that companies or entities prepare and present their financial statement in order for the company to keep track of their activities and for the shareholders and financial analyst to monitor the firms performance and use it as a comparative study with previous year's performance from here they can Identify a company's trend. Mihaela (2008) classified users of financial statement into Internal Users and External Users. While Internal Users include Senior or Top Managers (they include; President, General Directors or Board of Directors, Vice President, Commercial Directors), Middle Managers (they include; Division Manager, Director of Production, Head of Departments, Head of Service), First Line Managers or Supervisors (they include; Regional Sales Manager, Assistant of the human resources manager, Head of Project Team ETC.), the External Users include; investors (shareholders, associates), the lenders, the suppliers, the customers, the government and their agencies, the general public. We can also include financial analysts as one of the external users (Mihaela 2008).

Financial statement analysis involves the breaking down of information in the financial statement to evaluate the entity's performance. According to Olayinka (2022) financial statement analysis is the process that examines past and current financial data to evaluate performance and estimate future risk and potential. Business analysis aids in making informed decision by helping structure the decision task through an evaluation of company's business environment, its strategies, and its financial position and performance (Subramanyam & Wild 2009). The analysis of financial statements of quoted banks in Nigeria will lead to the shareholder of potential shareholder's decision on whether to invest or not. Financial statement analysis is used by potential investors, proprietors, creditors, security analysts, leading houses, managers, government regulatory agencies and tax authorizes, trade unions, customers, and many other stake holders who rely on financial data for making both financial and economic decisions about a firm Olayinka (2022). An investor is any person or entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns (https://www.investopedia.com/terms/i/investor.asp). An investor is a person or an entity who analyses market conditions, speculate future trends and risk funds or capital with the expectation of return on investments. Investors typically develop returns by developing capital as either equity or debt investments. Equity investment entails ownership stakes in form of company stocks that may pay dividend in addition to generating capital gains. Debt investment may be as loans extended to other individuals or firms, or in form of purchasing bonds issued by government or corporations which pay interest in the form of coupons (https://www.investop-edia.com/terms/i/investor.asp). Investing is the purpose of buying assets that increase value overtime and provides returns in the form of income payments or capital gains. In larger sense, investing can also be about spending time or money to improve your own life or the lives of others. But in the world of finance, investing is the purchase of securities real estate and other items of value in the pursuit of capital gains or other income (Forbes https://www.forbes.com/advisor/investing/what-is-investing/).

When investments are made, the investor or the shareholder is expected to wait for a given period of time; some could take a month, some a year and some for a number of years. Though it is not the center of each investment activity yet the execution of meaningful choices gives way to the accomplishment of investment aims and purposes while the execution of erroneous decision positively gives a lead to investment disappointment or non-performance (Olayinka, 2022).

Shareholders are faced with the challenge of making the right decision as regards their investment.

Shareholders make well-informed investment decisions in listed deposit money banks in Nigeria by relying on comprehensive financial statement analysis. They have access to accurate and timely financial information, allowing for a thorough evaluation of the banks' performance, risks, and overall financial health (Uzodimma & Chikwelu, 2021). In this case, shareholders can confidently assess the potential returns and risks associated with their investment, leading to more prudent and strategic decision-making (Zayol Patrick, Tavershima & Eje, 2017).

However, inadequate transparency, complex financial statements, or a lack of investor-friendly disclosures hinders shareholders' ability to conduct a thorough financial analysis. This situation raises concerns about the effectiveness of shareholders' decision-making processes and the overall health of the investment environment (Nurcholisah, 2016). Consequently, shareholders may make investment decisions based on incomplete or inaccurate financial information, leading to suboptimal outcomes. Inaccurate assessments of a firm's financial health can result in increased investment risks, potentially affecting the value of shareholders' investments (Kaluarachchi, 2020). Moreover, a lack of confidence in the reliability of financial statements may contribute to a decline in overall investor trust and participation in the listed deposit money banks, impacting the stability and efficiency of the financial market. In view of this issue, this study examines the effect of financial statement analysis on shareholders' investment decision in listed deposit money banks in Nigeria. The broad objective of the study is to examine the effect of financial statement analysis on shareholders' investment decision in listed deposit money banks in Nigeria. The specific objectives are:

1) To examine the effect of leverage analysis on equity shareholding among listed deposit money banks in Nigeria.

Review of Related Literature

Financial Statement

According to Subramanyam and Wild (2009), an income statement measures a company's financial performance between balance sheet dates. They also assert that the income statement provides details of revenues, expenses, gains, and losses of a company for the period. The income statement of a private limited company or a public limited company should be able to tell us all about the results of the company's activities over specified accounting periods. The income statements show us what revenues have been generated and what costs incurred in generating those revenues, and therefore the increase or decrease in wealth of the business during the period, Davies and Crawford (2011). The calculation of gross profit is based on the difference between total revenue and the total cost of making the commodities or rendering services that a firm trade often known as the cost of goods sold Olayinka (2022). He also states that net profit or operating profit on the other hand reflects many other operating costs and expenses in the computations together with the cost of commodities sold, like depreciation on machinery and equipment and other overhead expenses.

The statement of financial position as the name implies presents a company's financial position at a specific point in time, usually the end of a fiscal period. It lists the company's assets, liabilities, and shareholders' equity. This component of FS also known as the balance sheet is prepared under the basic accounting equation (Total assets represent the total owners' equity and the total liabilities). The difference between the value of a firm's total assets and the total liabilities is referred to as the equity or net worth of the firm Olayinka (2022). Wahlen, Baginski, and Bradshaw (2008) highlighted that the assets portion of the balance sheet reports the effects of a firm's operating decisions (principally those involving assets used in day-to-day activities to produce and deliver products and services to customers) and investing decisions (principally those involving financial assets to generate interest income, dividends, and other returns on investment). The liabilities and shareholders' equity portion of the balance sheet report obligations that arise from a firm's operating decisions (involving obligations to pay employees and suppliers of goods and services) and financing decisions (raising debt capital from banks and other lenders as well as raising equity capital from investors in common stock). According to Zhang (2021), it cannot truly reflect the financial situation of an enterprise and much of the information on important economic resources and obligations that cannot be expressed in monetary terms will be omitted. A balance sheet contains many estimates, and the understanding of the information in the sheet must rely on the judgment of the statement user.

The notes to the account according to Eziokwu (2013) give a detailed explanation of how the figures in the financial statement are arrived at by showing the computation of related figures in the financial statement. Here the calculation is done to make the content of the financial statement neat and orderly.

Financial Statement Analysis

Financial Statement Analysis is the process of interpreting, applying, and translating the facts and data contained in financial statements to draw relevant conclusions. The purpose of this analysis is to refer to business operations, financial position, and future prospects (Egbunike, 2019).

In the fields of accounting, economics, and finance, performance is typically measured using various ratios, with profitability ratios being among the most commonly used. These ratios seek to determine the extent to which a company is generating wealth and creating value in both the short and long term, while also ensuring stability and sustainability. Examples of financial ratios include profitability ratios, liquidity ratios, leverage ratios, investment ratios, and efficiency ratios. Profitability ratios are further classified into gross profit margin, net profit margin, return on assets (ROA), return on equity (ROE), and return on capital employed (ROCE), among others. Liquidity ratios include the current ratio, quick ratio, and cash ratio, while leverage ratios encompass the debt ratio, debt-to-equity ratio, interest coverage ratio, and others. Investment ratios, on the other hand, include the price-earning (P/E) ratio, earnings per share (EPS), dividend per share (DPS), dividend yield, dividend-covered ratio, and more. Finally, efficiency ratios measure the inventory turnover period, accounts receivable and payables period, asset turnovers, and more (Abubakar, et. al. 2018; Ajibola et. al. 2018). Ratio analysis, an accounting technique utilizing financial statements such as balance sheets and income statements, offers valuable insights into a company's financial well-being. It aids in evaluating different aspects of an organization, encompassing profitability, liquidity, and market value.

Leverage

In finance, leverage (or gearing in the United Kingdom and Australia) is any technique involving borrowing funds to buy an investment, estimating that future profits will be more than the cost of borrowing. This technique is named after a lever in physics, which amplifies a small input force into a greater output force, because successful leverage amplifies the smaller amounts of money needed for borrowing into large amounts of profit. However, the technique also involves the high risk of not being able to pay back a large loan. Normally, a lender will set a limit on how much risk it is prepared to take and will set a limit on how much leverage it will permit, and would require the acquired asset to be provided as collateral security for the loan (https://en.wikipedia.org/wiki/Leverage(finance). Leveraging enables gains to be multiplied. On the other hand, losses are also multiplied, and there is a risk that leveraging will result in a loss if financing costs exceed the income from the asset, or the value of the asset falls (https://en.wikipedia.org/wiki/Leverage(finance)) . The use of borrowed funds is known as financial leverage. The customary reason for using borrowed funds is the expectation of investing them in a capital project that will provide a return in excess of the cost of the acquired funds (Schroeder, Clark and Cathey, 2014). Operating leverage is a part of a company's fixed cost from which reveals how effectively revenue from sales is translated into operating income (https://corporatefinancialinstitute.com/resources/accounting/degree-of-total-leverage/).

Profitability

A high level of profitability indicates that the company is able and successful in making investment and funding decisions effectively and efficiently to make the company's financial condition good, grow and develop. According to Hery (2020), profitability is a measure used to determine the level of a company's ability to achieve success in the form of profits through sales, equity,

Profitability is the main determinant of the growth and expansion of the private sector. Chukwuma et al. (2022) argued that profitability is important for the survival and increase in the scale of business to achieve the final goal of growth. Profitability is measured by many proxies, such as return on assets (Ester and Ballkoci, 2017), return on equity (Chukwu and Egbuhuzor, 2017), operating income (Amoroso et al., 2017), and earnings (Oeta et al., 2019). To the best of the authors' knowledge, only one prior study used a different proxy to measure profitability, that is, earnings before tax, interest, depreciation, and amortization (EBITDA).

Empirical Review

Aminu (2022) determined the extent companies can utilize financial statement analysis (FSA) to aid in funding and investment decisions, and prevent low profitability or investment returns. Descriptive statistical analytical was used to analyzed data from the annual report of Nestlé Nigeria Plc. The study concludes that FSA is an effective tool for decision-making, and companies should pay great attention to the use of FSA to properly equip them with this tool and also a combination of different ratios should be used in analyzing a firm's financial performance. A combination of various ratios should be used to analyze the financial performance of a company. The proper use of FSA should not be limited to investment decisions, but also extended to other areas of decision-making. Etim, Ubi, Etukafia and Enang (2022) examined the impact of financial leverage on the performance of oil and gas companies in Nigeria. Panel secondary data from eight companies listed on the Nigerian Stock Exchange between 2006 and 2020. Return on Assets (ROA) was used as the dependent variable, while the four types of financial leverage, namely Debt Ratio (DR), Debt-to-Equity Ratio (DER), Long-term Debt Ratio (LTDR), and Cost of Debt (COD), were used as independent variables. Descriptive statistics and Inferential statistics from multiple linear regression (Panel regression technique) involving parameters as R2 , adjusted R2 , t-statistic, p-value, F-ratio, Variance Inflation Factors (VIF) and Durbin-Watson (D-W) statistics The results showed that DR, LTDR, and COD had negative and significant impacts on ROA, while DER had a negative but insignificant impact. Amahalu and Obi (2020) ascertained the quality of financial statements impacts the investment decisions of quoted Deposit Money Banks (DMBs) in Nigeria from 2010-2019, using Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability on Return on Equity. Ex-Post Facto design was employed and collected secondary data from a sample of seven (7) DMBs.

Inferential statistics such as Pearson correlation and Ordinary Least Square (OLS) regression analysis. The study found that Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability all have a positive and significant effect on the Return on Equity of quoted Deposit Money Banks in Nigeria at a 5% level of significance. Sanyaolu and Odunayo (2020) examined the impact of financial statement analysis on the investment decisions of Nigerian deposit money banks. Ex post facto research design was adopted and data were sourced from the annual reports of 23 listed deposit money banks of the Nigerian Stock Exchange. The sample size of the study was 10 banks, which represents roughly 43% of the entire listed banks. The study tested the hypotheses of the study using regression involving fixed-effect. The study found that profitability has a significant positive effect on investment decision, while financial leverage and liquidity has no significant positive effect on investment decision. Based on the results, the study concludes that financial statement analysis has a significant positive joint effect on investment decision. Rieke (2020) analyzed the performance of a company through analytical and experimental methods. The study aimed to examine investment decisions by using stock prices as the dependent variable and performance measures as the independent variable. The company's performance was measured through Economic Value Added (EVA), Market Value Added (MVA), Return on Equity (ROE), and Earnings per Share (EPS). The research method used was quantitative research, and the sample consisted of investor index companies listed on the Indonesia Stock Exchange (BEI) from 2015 to 2018. The results of statistical tests show that the concept of performance based on Value Based Management (VBM) as measured by Economic Value Added (EVA) and Market Value Added (MVA) has no effect on stock prices in investor companies.

Also the results of statistical tests show the concept of performance based on the company's historical data as measured through Return on Equity and (ROE) and Earning per Share (EPS) have an effect on stock prices in investor companies. Saleh and Siti (2020) examined the effect of net profit, dividends, debt, cash flow, and net working capital on investment decisions of 24 manufacturing companies that were listed on the Indonesia Stock Exchange from 2017-2019. The method of data collection in this study is the documentation method, which is a data collection technique by taking financial reports that are on the Indonesia Stock Exchange (Secondary). The study used multiple linear regression tests on SPSS. The results indicated that all the variables had a significant impact on investment decisions. However, only dividends and debt had a significant positive impact individually, while net income, cash flow, and net working capital had a positive but insignificant impact on investment decisions. Nur Triani and Deden Tarmidi (2019) determined the effect of investment decisions, funding decisions, and dividend policies on the firm value of companies in the property and real estate sector listed on the Indonesia Stock Exchange from 2013 to 2016. The study included 48 companies, but only 33 were chosen using a purposive sampling method. The study used multiple regression analysis to test the hypothesis and it was found that funding decisions and dividend policies have a significant impact on firm value, while investment decisions is not significant. This research implies that in optimizing firm value can be achieved through the application of financial management functions as well as dividend policy, where one decision can attract investor interest and have an impact on the firm value. Agung Tri Atidhira, Andi Ina Yustina (2017) analyzed the effect of Return on Asset (ROA), Debt to Equity Ratio (DER), Earnings per Share, and Company size on share return in the real estate and property industry in Indonesia. Out of a population of 50 companies, 35 companies were examined using multiple linear regression analysis to understand the relationships between these variables.

Our findings reveal that DER and EPS have a positive and significant impact on share return, while ROA and Company size have a negative and insignificant impact. Ezejiofor, Olise, John-Akamelu (2017) ascertained the investment value of a Telecommunication firm in Nigeria and compare it with commercial banks in the country. The study used various performance variables such as profitability ratios, dividend coverage ratios, debt-equity ratios, and efficiency ratios. The research design adopted for the study was ipso-facto and time series. The data used for the study were collected from seven years of annual reports from both the Telecommunication firms and commercial banks, which is a secondary method of data collection. The collected data was analyzed using financial ratios, and t-test statistics were utilized to determine if there were significant differences in the mean of Telecommunication firms compared to their commercial bank counterparts. It was revealed that there are significant differences between the profitability, coverage ratio, debt ratio, and efficiency ratios of telecommunication firms compared to commercial banks in Nigeria. Anaja and Onoja (2015) analyzed the impact of financial statements on investment decision-making, using United Bank for Africa PLC as a case study from 2004-2013. The regression equation showed that the transparency of the bank's financial statements has a significant influence on investment decision-making. The statistical analysis indicated that the model is appropriate for investment decision-making by prospective investors and for policy-making purposes by the bank's management.

The major findings revealed that for an investor to take investment decision using the financial statement of the financial institution the focus is majorly on the profitability of the organization and the profit of the organization which is a function of the assets, liabilities and equity contribution of the owners of the organization, as such the relationship between the profit and asset, liabilities, and equity is very significant for where the investors put their resources. Popoola, Akinsanya, Babarinde, and Farinde (2014) evaluated the relationship between published financial statements and investment decisions of commercial banks' stakeholders in Nigeria. The study employed a correlation research design and purposively sampled 180 users of published financial statements from Lagos and Ibadan. The data generated were analyzed using Pearson correlation and regression. The findings of the study revealed that, balance sheet is negatively related with investment decision while income statement, notes to account, cash flow statement and five-year financial summary are positively related with investment decision. Eziokwu (2013) examined the correlation between financial statements and investment decisions, as well as the impact of financial statements on investment decision-making. The research aimed to determine if investment decisions are solely dependent on financial statements. The study was conducted on 125 staff members from five major banks in Nigeria's Enugu metropolis, and the sample size was determined to be 95 persons using the Yaro Yamani formula. The formulated hypotheses were tested through a Z-test statistical technique with a 5% level of significance. Primary data collection methods included questionnaires and personal interviews, while secondary data collection methods involved library research of relevant materials and documents from the selected banks.

The results revealed that financial statements have a significant relationship with investment decisions, and ratio analysis is an important tool for making investment decisions based on financial statements. Agboola, Olaleye, Solomon and Oyerogba (2013) determined the impact of accounting information on investment in the Nigerian Poultry Agricultural Sector. Specifically, the study investigated the effects of profitability, gearing ratio, and growth opportunity on investment in the Nigerian agricultural sector. The research employed a descriptive design, which involves collecting data by administering a questionnaire or conducting interviews with a sample of individuals. The study used secondary data as the instrument of data collection. The sample size of the study was 68 investors since the target population is infinite. Descriptive statistics such as mode, median, mean, standard deviation, etc were used to analyze the data. Statistical Package for the Social Sciences (SPSS 20) software was used to calculate these measures. The study found that there was an increase in the number of investments in the agricultural sector in Nigeria over the last three years. The results indicate that the variables; profitability, gearing ratio, and growth opportunity were satisfactory in explaining investment. Rahmat Faikar and Ana Noveria (2013) evaluated the investment decision-making process based on financial performance. The study aimed to determine the impact of a company's financial health condition (measured by financial performance) and market valuation on investor behavior.

The data was gathered from the annual reports of five Indonesian construction companies from 2009 to 2013. The DuPont analysis was used to assess the companies' financial statements and measure profitability. The results suggest that by analyzing a company's financial performance, and calculating the market-valuation of the companies, it could be used as the fundamental analysis for the investors to make an investment decision, because we might see the healthiness of a company financial condition to predict the future of the company and build the investor confidence to invest on the company to gain optimal return. By doing so, investors can evaluate a company's financial health, predict its future performance, and build confidence in their investment decisions to maximize returns. Amedu (2012) ascertained the roles of financial statement analysis in investment decisions she asserted that the general objective is to ascertain the role of financial statements in investment decision-making. The study was based on a survey and questionnaire which was a primary method of data collection. The scope of the study was limited to Nigeria and specifically First Bank Plc, Anyigba branch, Kogi State, Nigeria. The total population of 70 personnel but the sample size is 60 using Taro Yamane’s formula. The methods used in analyzing this study are simple percentages and chi-square. She discovered from the test of hypotheses that financial statement is relied upon in investment decision-making and financial statements are useful for forecasting company’s performance. Conclusions was drawn based on the findings that financial statement plays a vital role in investment decision making and recommends that no investment decision should be taken without the consideration of a company’s financial statements.

Methodology

The study adopted *Ex-Post Facto* research design. The ex-post facto design is particularly appropriate for this investigation, as it entails collecting data on past events.

This research investigated how financial statement analysis influences the investment decisions of shareholders in listed deposit money banks in Nigeria spanning from 2013 to 2022. The study encompassed all thirteen (13) listed deposit money banks in Nigeria.

The study employed a purposive sampling method to select ten deposit money banks, chosen based on the availability of financial reports and audit data during the specified period of investigation.

The data for this study were meticulously extracted from the published financial statements of the sampled banks, covering the period from

2013 to 2022. This involved a thorough examination of financial reports to ensure the inclusion of relevant and up-to-date information for a robust analysis. The utilization of such secondary sources enhances the accuracy and reliability of the data, providing a solid foundation for the investigation into the impact of financial statement analysis on the investment decisions of shareholders in the selected deposit money banks.

Model Specification

This study modified the model by Oshoke and Sumaina (2015) which specified the model below:

$PERFEVA = \alpha + \beta 1LIQR + \beta 2LEVR + \beta 3MKTR + \beta 4PROFTR + \mu$ __________________ i

Where:

ROA = Return on asset

LIQR = Liquidity ratio (Current ratio is used to proxy liquidity ratio).

LEVR = Leverage ratio (Debt to equity ratio is used for leverage ratio).

MKTR= Market ratio (Earnings per share is used as a proxy for market ratio).

PROFTR = Profitability ratio (Return on equity is used as a proxy for profitability ratio)

However, since the present study uses shareholders' investment decision, the model in eqn (i) above is modified to produce the model in eqn (ii) below.

$ESH_{it} = \alpha_0 + \beta_1 LEVA_{it} + \beta_2 LIQA_{it} + \beta_3 PROA_{it} + \mu_{it}$ ____________________ _____ii

Where,

ESH_{it} = Equity shareholding.

$LEVA_{it}$ = Firm Leverage

$PROA_{it}$ = Firm Profitability

It = for firm i in period t

μ_{it} = white noise for firm i in period t.

α_0 = constant.

β_{1-3} = coefficients of the predictors

Method of Data Analysis

This study utilized the Ordinary Least Squares (OLS) technique to estimate the impact of financial statement analysis on shareholders' investment decisions. Multiple regression analysis was employed to establish this effect. The process of model estimation, exploring the relationship between financial statement analysis and the investment decisions of banking firm shareholders in Nigeria, was facilitated using the E-views Version 10 package.

Decision Rule

If the probability value of the t-statistic falls below 0.05, the null hypothesis is rejected in favor of the alternative hypothesis. Conversely, if the probability value of the t-statistic exceeds 0.05, the null hypothesis is accepted.

DATA ANALYSIS

Table 1 Descriptive Analysis

	ESH	LEVA	PROA
Mean	7.398407	7.455036	0.015097
Median	8.407358	6.807085	0.011698
Maximum	9.833945	59.30158	0.061537
Minimum	-8.44538	-2.95134	-0.09532
Std. Dev.	4.038801	6.404722	0.018500
Skewness	-3.63879	5.236159	-2.04817
Kurtosis	14.42370	44.30178	16.62189
Jarque-Bera	764.4338	7564.611	843.0658
Probability	0.000000	0.000000	0.000000
Sum	739.8407	745.5036	1.509700
Sum Sq. Dev.	1614.880	4061.026	0.033881
Observations	100	100	100

Source: Analysis Output using E-views 10 (2024)

For Equity Shareholding (ESH), the mean value is 7.40 with a standard deviation of 4.04, indicating a moderate dispersion of data around the mean. The negative skewness of -3.64 suggests that the distribution is skewed to the left, implying a longer tail on the negative side. The high kurtosis of 14.42 indicates heavy-tailedness and potential outliers in the distribution. The Jarque-Bera test's extremely low probability (0.000) signifies a departure from normality, reinforcing the presence of non-normal distribution characteristics. The maximum value of 9.83 and the minimum of -8.45 reflect the range of equity shareholding, with the data potentially containing extreme values or outliers. The mean of Leverage Analysis (LEVA) is 7.46 with a standard deviation of 6.40, showing a considerable dispersion of data. The positive skewness of 5.24 indicates a longer tail to the right, suggesting the presence of high values or outliers. The kurtosis of 44.30 reflects heavy-tailedness and the potential for extreme values in the distribution. The Jarque-Bera test with a probability of 0.000 rejects the hypothesis of normality, emphasizing the departure from a normal distribution. The minimum value of -2.95 and the maximum of 59.30 highlight the broad range of debt-to-equity ratios, indicating potential variations in financial leverage among the banks.

Test of Hypotheses

This study utilized the Ordinary Least Squares (OLS) technique to estimate the impact of financial statement analysis on shareholders' investment decisions. The output of the regression analysis is shown below.

Regression Result for Test of Hypotheses

Dependent Variable: ESH
Method: Least Squares
Date: 01/01/24 Time: 10:46
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEVA	0.258247	0.052923	4.879700	0.0000
PROA	90.85974	18.30248	4.964341	0.0000
C	3.531490	0.674354	5.236847	0.0000

R-squared	0.336778	Mean dependent var	7.398407
Adjusted R-squared	0.316052	S.D. dependent var	4.038801
S.E. of regression	3.340135	Akaike info criterion	5.289077
Sum squared resid	1071.024	Schwarz criterion	5.393284
Log likelihood	-260.4539	Hannan-Quinn criter.	5.331252
F-statistic	16.24929	Durbin-Watson stat	0.679518
Prob(F-statistic)	0.000000		

Source: Analysis Output using Eviews 10 (2024)

The R-squared value of 0.336778 indicates that approximately 33.68% of the variability in shareholders' investment decisions (represented by the natural log of total equity) among listed deposit money banks in Nigeria can be explained by the combined influence of leverage analysis, liquidity analysis, and profitability analysis. This suggests a moderate level of explanatory power, meaning that the selected independent variables collectively contribute to understanding the variation in equity shareholding. The Adjusted R-squared, at 0.316052, considers the number of predictors and the sample size, providing a more conservative estimate of the model's explanatory power. The F-statistic of 16.24929 is statistically significant with a p-value of 0.000000, indicating that the joint effect of the independent variables (leverage analysis, liquidity analysis, or profitability analysis) significantly contributes to explaining the variance in shareholders' investment decisions. Therefore, the financial statement analysis model has a meaningful impact on understanding and predicting equity shareholding decisions among the studied deposit money banks in Nigeria.

Test of Hypothesis I

H01: Leverage analysis has no significant effect on equity shareholding among listed deposit money banks in Nigeria.

The coefficient of Leverage Analysis (LEVA) is 0.258247, which signifies that a unit increase in the debt to equity ratio is associated with a 0.258247 increase in equity shareholding. This positive relationship is statistically significant with a probability (Prob.) of 0.0000 that is less than 0.05. Based on this, leverage contributes to shaping equity shareholding decisions among the banks. The alternate hypothesis was therefore accepted that Leverage analysis has a significant positive effect on equity shareholding among listed deposit money banks in Nigeria (*p*-value = 0.000).

Discussion of Findings

The study found a positive and significant effect of leverage analysis on equity shareholding in listed DMBs. This finding can be attributed to the investors' preference for companies that effectively manage their debt levels. Leverage analysis involves assessing a company's debt structure and its ability to meet financial obligations. Investors are likely to be attracted to DMBs with prudent leverage practices, as lower financial risk is associated with reduced likelihood of financial distress. Consequently, shareholders may feel more confident in holding equity in banks with manageable levels of debt, anticipating stable returns and a reduced probability of capital erosion. This aligns with the studies conducted by Olusola, Olaleye, Adeoluwa and Oyerogba (2013); Anaja and Onoja (2015); and Sitompul and Nasution (2020) whose finding revealed similar positive effect of leverage analysis on shareholders' investment decision.

Secondly, the study found a positive but insignificant effect of liquidity analysis on equity shareholding among listed DMBs in Nigeria. This positive effect can be explained by investors' interest in companies with strong liquidity positions. Liquidity analysis involves evaluating a company's ability to meet short-term obligations. For DMBs, maintaining adequate liquidity is vital to ensure smooth operations, handle deposit withdrawals, and capitalize on investment opportunities. Shareholders are likely to be attracted to banks that demonstrate robust liquidity positions, as this indicates a lower risk of financial distress and the ability to capitalize on market opportunities, potentially leading to increased shareholder value. The findings are similar to those found by Sitompul and Nasution (2020); Olusola, Olaleye, Adeoluwa and Oyerogba (2013); and Anaja and Onoja (2015) which found that the liquidity of a firm positively influences shareholders' investment decision.

To end with, the study found that profitability analysis has a positive and significant effect on equity shareholding. This suggests that investors in listed DMBs in Nigeria prioritize companies with sustained and attractive profitability levels. Profitability analysis involves assessing a company's ability to generate earnings from its resources and operations. A consistently profitable DMB is more likely to attract and retain investors due to the expectation of dividends and capital appreciation. Shareholders are inclined to invest in banks with strong profitability, anticipating higher returns on their equity investments over time. This result is consistent with those by Olusola, Olaleye, Adeoluwa and Oyerogba (2013); Anaja and Onoja (2015); and Sitompul and Nasution (2020) for concluding that profitability analysis has a positive relationship with shareholders' investment decision.

Conclusion

Financial statement analysis plays a crucial role in helping investors make informed decisions regarding their investments in listed deposit money banks (DMBs) in Nigeria. Investors often rely on various financial metrics to evaluate the performance and financial health of a company before making investment decisions. For the purpose of this study, leverage analysis, liquidity analysis, and profitability analysis are three key components of financial statement analysis examined as the factors that influence shareholders' investment decisions. The positive effect of leverage analysis on shareholders' investment decision may be attributed to investors viewing moderate levels of leverage as a sign of financial health. Debt can amplify returns for shareholders when profits exceed the cost of borrowed capital. However, it is crucial to maintain a balance to avoid excessive risk, indicating that investors may favor banks with optimal leverage ratios. Also, the positive but insignificant effect of liquidity analysis on shareholders' investment decision may be linked to investors' preference for banks that demonstrate strong liquidity positions. Adequate liquidity is perceived as a safeguard against financial distress, instilling confidence among shareholders. Investors are likely to favor DMBs capable of meeting obligations promptly, as this enhances stability and reduces the risk of value erosion in equity holdings.

Finally, the positive effect of profitability analysis on shareholders' investment decision stems from investors seeking banks with sustainable and robust profitability. Higher profits not only provide dividends but also indicate effective management and a strong market position. Banks demonstrating consistent profitability are likely to attract investors aiming for long-term capital appreciation, thus positively influencing equity shareholding. In conclusion, leverage and profitability analyses play pivotal roles in shaping shareholders' investment decisions among listed DMBs in Nigeria. The positive effects observed in each case indicate that investors value banks with prudent leverage practices, strong liquidity positions, and consistent profitability, emphasizing the importance of comprehensive financial statement analysis in guiding investors towards making well-informed decisions.

2. Listed DMBs should prioritize maintaining robust liquidity positions through regular stress testing, proactive measures, and transparent communication with shareholders to instill confidence in the face of potential liquidity challenges.
3. To attract and retain investors, DMBs should focus on optimizing operational efficiency, exploring revenue diversification, and transparently communicating profitability drivers, ensuring a sustained and resilient financial performance that aligns with shareholder expectations.

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