

FINANCIAL PERFORMANCE ANALYSIS AND INVESTMENT DECISION

ABDULLAHI, SANI RUFAI

Kogi State University, Anyigba- Department of Accounting
Email: abdullahsanirufai@yahoo.com

MUSA, HASSAN

Kogi State University, Anyigba- Department of Accounting
Email: musahassan1989@yahoo.com

ABSTRACT

Due to the failure of statutory audit to provide reliable and true information about the financial healthiness of corporate institutions which have badly affected the economy and investors in particular, have created atmosphere of insecurity for investment. Investors are now more financially informative and equip themselves with various financial performance analytical tools to assess the weakness and strength of corporate financial performance and these have started influencing their investment decision. This study is on financial performance analysis and investment decisions of deposit money banks in Nigeria. The main objective of the study was to examine effect of financial performance analysis using CAMEL parameter on making investment decision. Correlation research design was employed while simple random sampling technique without replacement was used and 5 banks were selected out of the 19 money deposit banks in Nigeria which is 26% of the total population. Multiple Linear Regressions was applied to the financial performance indicators as influencing factors on investment decision. The results revealed that financial performance has positive and significant effect on investment decision. However, when the indicators were decomposed, capital adequacy was found having negative relationship with investment decision while management efficiency and earning quality have positive but not significant effect on investment decision. It was recommended that the selected banks should monitor and improve on the indicators found not significant but positively affecting investment decision so as to maximize its influence on investment decision while reducing the effect of the indicator that is negatively affecting investment decision.

Key Words: Financial Performance, Investment Decision, CAMEL, Cooperate institution

INTRODUCTION

Financial performance of any business entity is one of the major points of attention to both management and owners (shareholders in case of a corporate entity) of business and the public at large including the potential investors. A company that is financially performing well will attract investors to allocate more of their resources when making an investment decision with the view of maximizing its return and improve its wealth. This is also applied to banking sectors in Nigeria being one of the most viable and surviving industries in the country. Financial performance in broader sense measures the degree to which financial

objectives have been accomplished in monetary value and is an important part of financial risk management (Hussain, 2007). Therefore, investment decision as an aspect of financial management required that the decision of an investor(s) to commit his/her resources in future return assets should be guided by rational criteria and firm financial performance analysis using financial performance indicator is one of these means. Investors are not only now interested on dividend return to their shares or appreciation of share price when making investment decision rather, looking at the overall performance of the company, and in banks, attentions were given to

many indicators that show the bank stability, liquidity and many other related indicators (Hussain, 2007).

Financial performance analysis is the process of identifying the financial strengths and weaknesses of a firm (specifically, a bank in this respect) by properly establishing the relationship between the items of balance sheet and profit and loss account to gauge the financial soundness and evaluate the efficiency of the banks. These analyses will help investors to make a well-informed decision based on overall performance and survival strength of the bank.

Analysis of financial performance of bank have received a renewed and great attention from both investors and financial analyst after the economic downturn of 2002 due to the failure of financial report and audited financial statements to protect the interest of investors and alerting the public about the poor financial performance state of some big corporation like that of Enron and World.com. Investors are now looking forward to being guided by important measurement parameter that will be able to explain the growth, sustainability of future earning capacity and management efficiency of banks before actually committing their resource in such investment (Dash & Das, 2009).

Based on these, supervisory and regulatory rating systems known as CAMEL model were often adopted to evaluate the performance of banks. It takes into account six important components of a bank when it evaluates the performance of the bank. These components are Capital, Assets, Management, Earning, Liquidity, and Sensitivity to market risk. It is based on this CAMEL model the study examined the effect of financial performance analysis on investment decision in Nigeria deposit money banks.

Statement of the Problem

According to World Economic Situation and Prospects, the recent improvements in the world economic growth after 2008/2009 economic downturns remain unevenly distributed across countries and regions. Economic prospects for

many countries who are commodity exporters remain particularly challenging and negligible growth in per capita GDP is anticipated in several parts of Africa (World Economic Situation and Prospects, 2018). During these undesired developments in the world economy in (the 2002 and the 2009 economic depression), many investors lose their assets, especially in the banking sector. Though, the Basel Committee on Banking Supervision (BCBS), which provides recommendation on banking regulations in regard to capital risk, market risk, and operational risk have already passed the Basel II Accord in 2000 and a significant number of countries and banks already implemented the standardized and foundation approaches as of the beginning of 2007 (Ersel, 2011) yet, it didn't save bank from distress and loss suffered by investors.

Thus, the global financial crisis (2008/2009) revealed major weaknesses of the capital requirements based on the Basel II framework. The regulatory capital of the banks was insufficient to cover the incurred losses during the crisis. Therefore, in December 2010 the Basel Committee finalized the Basel III framework in order to implement stricter capital regulations. Moreover, with Basel III two liquidity ratios were introduced.

Again, it was noted that during the crisis many banks continued to pay dividends and high staff bonuses. To tackle this issue the Basel Committee introduces two additional capital buffers to make banks more resilient to events of distress. The first buffer is the capital conservation buffer and consists of Core Tier 1 capital. It shall be built up outside periods of stress. In economically troubled times a bank may use the buffer to absorb losses. The Basel Committee suggests that the buffer is to be rebuilt by reducing dividend payments, share buybacks, and bonuses. However, with the failure of Basel I and Basel II Accords during these financial crises show that investors need a holistic tool that can guide their assessment of bank healthiness and performance than just capital adequacy and leverage cover. This is because the

financial crises show that not just capital adequacy and leverage could determine the health condition of banks but also liquidity and sensitivity to risk, management efficiency.

Objectives of the Study

The main objective of this study is to examine the effects of financial performance analysis on the investment decision making of shareholders in 5 selected deposit money banks in Nigeria. Specifically, the study aimed at achieving the following objectives:

1. Examine the effect of the banks' capital adequacy on the investors' decisions.
2. Determine the effect of the banks' assets quality on the investors' decisions.
3. Assess the effect of the banks' management efficiency on the investors' decisions.
4. Evaluate the effect of the bank's earning ability on the investors' decisions.
5. Examine the effect of the banks' liquidity on the investors' decisions.

Significance of the Study

The study will help investors of the selected banks and potential investors to know the financial indicators that can help them understand the financial statements and enhance their business investment decisions by taking a holistic view of financial performance both on risk, return and stability of his investment. The research will also help the management of the selected banks to understand how the investors react to most of the investment indicators and guide against ratio figures that could trigger undesirable reaction from their existing and prospective investors. The study will also assist government in formulating policy related to investment especially in the banking sector as the government bank (Central Bank of Nigeria) is charged with the responsibility of protecting investors and depositors claim against bank failure. Again, supportive references and materials such as the World Economic Situation and Prospects of 2016, Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) Special

Report on 24 Deposit Banks in Nigeria in 2009 used in this study will be of immense help to students in tertiary institutions and other researchers to investigate further in the area of the study. It is also hoped that the results of the research will facilitate optimal investment decisions making when the recommendations are complied with. Again, the study will encourage businessmen and managers to appreciate quantitative techniques like financial ratios when making economic and business decisions.

REVIEW OF RELATED LITERATURE

Investors are rational and therefore, they try to allocate their resources to where it is best productive with minimum risk. According to Penman (2010) in his book "Financial Forecasting, Risk and Valuation: Accounting for the Future", the main purpose of investing is to earn a return. If the future returns from all available investments were known with certainty, an investor would surely go for that investment which offers the highest rate of return over the required period of time but in practice, the world is uncertain (Penman, 2010). Investors are generally risk-averse and risk is an important consideration in investment decision making process. However, investors do take some degree of risk but such risk has been measured and formed part of the decision the investor is willing to take. To measure this risk and its outcome, investors use relevant information either base on the past performance of the investment or future expectation from the investment. Investors usually perform investment analysis by using fundamental analysis, technical analysis, and judgment with the help of investment tools. Therefore, it is commonly believed that investment decisions are a function of multiple factors such as characteristics of market and risk profiles of an individual, in inclusion of accounting information (Nofsinger & Richard, 2002). Hussein, (2007) established that anticipated corporate earnings, stock marketability, historical financial performance of the company, are the main investor's considerations when making

investment decision.

The reality of the submissions made above by Hussein, (2007) is that both corporate earnings and stock marketability are the direct and indirect function of firm financial performance respectively. Earnings which is the total net income attributed to ordinary shares is positive and high when a firm is financially performing well. Again, stock marketability implies the liquidity of a stock due to the ease in converting such share/stock to cash owing to high demand of the security in the market and according to Ebrahim and Chadegani (2011), a firm who is financially performing well will as well improve its share performance and increase the liquidity of its stock in the market as more of her security will be bought and sold in the market. Therefore, investor uses financial performance analysis to provide them with information about the financial performance of a firm and guided them in making an investment decision. Financial performance is the process of identifying the financial strengths and weakness of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. In 1988, Basel Committee on Banking Supervision of the Bank of International Settlements (BIS) proposed a framework know as CAMELS framework for assessing the financial performance of banks and to measure their financial soundness (Dash & Das, 2009). This model was employed in analyzing the financial performance of the selected banks. However, the parameters of the model have continuously undergone modification especially in the face of economic depression experienced in 2003 2009 leading to Basel Accord II and Basel Accord III. Therefore, the parameters used in this study reflected the current Basel Accord III where applicable. Though there are other models use in measuring financial performance such as Balance Scorecard model, Malcolm Baldrige model and Performance Prism (Ivanov & Avasilcia, 2013) but none of those models uses quantitative financial data exclusively to measure financial performance in

quantitative and qualitative terms. Therefore, the choice of this model (CAMELS) is partly due to this quality and its holistic approach is assessing the financial strength of a business organization.

Financial Performance Analysis and the CAMEL Model

According to Senthil and Nagarjan (2013), financial performance analysis involves analysis and interpretation of financial statements in such a way that it undertakes a full evaluation of the profitability and financial soundness of a business. The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, "financial performance analysis is the process of selection, relation, and evaluation (Senthil & Nagarjan, 2013).

A popular framework used by regulators to analyze the financial performance of a bank is the CAMELS framework, which uses some financial ratios to help evaluate a bank's performance (Barker & Holdsworth, 1993). Barker and Holdsworth (1993) predicting banks failure, they find evidence that CAMEL ratings are useful, even after controlling a wide range of publicly available information about the condition and performance of banks.

CAMEL model was the Uniform Financial Institution Rating system established by the Federal Financial Institution Examination Council on November 13, 1979, and subsequently employed by the National Credit Union Administration in October 1987. It has been used in various evaluative and comparative researches and has shown to be a good internal supervisory tool for assessing the soundness of a financial institution (United States. Uniform Financial

Institutions Rating System 1997).

Barr and Richard (2002) state that “CAMEL rating has become a short and important tool for financial analysts, evaluators and regulators”. This rating focuses and ensures a bank's healthy conditions by assessing different aspects of a bank based on a multiple of information sources such as financial statement, funding sources, data on macroeconomic, budget, and cash flow. However, Hirtle and Lopez (1999) assert that the bank's CAMEL rating is highly confidential, and only available to the bank's senior management for the purpose of projecting the business strategies, and to appropriate supervisory staff. This rating is never made publicly available, even on a lagged basis. CAMEL is an acronym for five components of bank safety and soundness and these are: Capital adequacy, Assets quality, Management efficiency, Earnings ability, and Liquidity. In 1996, another component was added to this existing five known as Sensitivity making it six components in all, however, only the first-five was considered in this work.

One of the main factors that affect financial performance is capital adequacy. Adequacy of Capital deals with the capital balance required to keep a minimum risks exposure in order to absorb the potential losses and guard the financial institution's debt holder (Hirtle & Lopez, 1999). However, capital structure of banks of in Nigeria is seriously regulated (Kamau, 2009). This is due to the fact that capital have crucial role to play in minimizing the number of bank failures and losses to depositors in the event of a bank failure. According to Kamau (2009), a well leveraged firm usually takes excessive risk in order to maximize shareholder value at the adverse of finance providers. However, there is general agreement that statutory capital requirements are necessary to reduce moral hazard, the contention is on how much capital is sufficient. Regulators would prefer to have higher minimum requirements of capital to minimize cases of bank failures, while the financial institutions' shareholders opined that it is expensive and

difficult to obtain additional equity and higher requirements constrain the strength of their competitiveness (Koch, 1995). Gavila and Santabarbara (2009) argue that, despite the fact that capital is expensive in terms of expected return, highly capitalized banks face a lower cost of bankruptcy, little need for external financing especially in emerging economies where external borrowing is not always easy. Hence, well-capitalized banks would be profitable than poorly capitalized banks. Gavila and Santabarbara (2009) used a sample of ten banks in Tunisia within 1980 to 2000 and adopted panel linear regression model. They reported a strong positive impact of capitalization to ROA. Sufian and Chong (2008) also came up the same results after evaluating the impact of capital on the banks performance in Philippines from 1990 to 2005.

Again, assets quality is another factor that affects financial performance. The quality of assets held by a bank depends on trends in non-performing loans, exposure to specific risks, and the profitability of bank borrowers (Baral, 2005). Credit risk is one of the main risk that affects the health of individual banks. The extent of the credit risk depends on the quality of assets held by an individual bank. Aburime (2008) maintains that the financial performance of banks depend on its ability to predict, monitor and avoid risks, perhaps to cover for losses brought about by risks therein. Therefore, when taking decisions on the allocation of resources to asset, bank must recognize the extent of risk to the assets. Low asset quality and poor levels of liquidity are the main cause of banks failures. The Central Bank of Nigeria measures quality of assets by the ratio of net non-performing loans to gross loans. According to Kosmidou (2008) who applied a linear regression model on 23 commercial banks data in Greece between 1990 to 2002, using return on assets and the ratio of loan loss reserve to gross loans to proxy by profitability and asset quality. The results returned a negative statistical impact of asset quality to bank profitability. This was in agreement with the theory the states that increasing exposure to credit

risk is likely associated with decreasing firm profitability. Showing that banks can improve their profitability by improves the monitoring of their credit risk.

Thirdly, according to Sufian and Chong (2009), inefficient management of expenditure is main causes of low profitability performance. In most literatures, bank performance, operational expense is usually used to measure managerial efficiency in banks. Mathuva (2009) noted that, Cost Income Ratio (CIR) of local banks is high when compared to banks with international activities and therefore, the need for local banks to minimize their operational costs to increase its competitive strength globally. Though, the relationship which exist between expenditure and profits show negative linearity implying that higher expenses mean lower profits and the opposite, however, this may not often true. This is because sometimes higher amounts of expenses may be due to higher volume of banking activities and therefore higher revenues. In relatively uncompetitive markets where banks enjoy market power, costs are passed on to customers; thus, there may be a positive correlation between firm's overheads costs and its profitability (Flamini & McDonald, 2009). Neceur (2003), observed a statistically significantly positive impact of firm's overheads costs to profitability suggesting that some costs are passed on to depositors / borrowers in forms of lower deposits rates to/or higher interest lending rates.

Another serious decision that the managers of deposit money banks may take regarding management of current assets is refers to liquidity management and specifically deal with the measurement of their needs as related to the process of deposits and loans. The importance of liquidity management is beyond the individual banks as a shortfall in liquidity at individual bank can have systemic repercussions on other banks (CBK, 2009). This was argued by Kamau (2009) when he asserts that banks holding high liquidity do so at the opportunity cost of some investment, which could generate high returns on investment.

The trade-offs which exist between return and liquidity risk are often exhibited by a shift from short-term securities to long-term securities or loans thereby raising a bank's return but increases its liquidity risks and the reverse is true. Hence, according to Hempel, Simonson and Coleman (1994), a high liquidity ratio indicates a low risk and less profitability. Therefore, management is confronted with a critical decision and dilemma of managing between liquidity and profitability (Levine, 1998). However, Uzhegova (2010) explain the negative implication of increased liquidity for financial institutions as follows, "although more liquid assets increase the capacity to raise cash on quickly, it reduce management's ability to commit credibly to an investment strategy and protects investors" which, may resulted in reduction of the "company's capacity to raise external fund" in most cases.

Financial Performance Analysis and Investment decision

Investment decision normally follows the rational rule of wealth maximization and investors will base his decision on selecting the investment opportunities which yield a higher return. According to Haargrove and Haslem (1977), investors are expected to behave rationally when making an investment decision, by given consideration to the investment's risk/return tradeoff. Which means that all publicly available information that is relevant for valuing an asset will be considered and reflected in the pricing of a stock as efficient market hypothesis concluded (Fama, 1970). Investors usually take into consideration two type of information when making investment decisions. These are macro factors (External factors-: factors outside the control of a firm) and micro factors (firm-specific factors-: factors under the control of a firm). These factors may serve as signal to stock market participants to analyze and evaluate the future expected returns from investing in particular stocks. Out of this information, micro factors or firm specific factors can significantly affect both

returns and stock prices (Sujeewa, 2016). Baker and Haslem (1974) asserted that expected returns, dividends and firm's financial stability are the most important investment considerations for individual investors.

However, these micro factors or firm-specific factors are mainly captured and presented in financial statements. In order to understand the information provided in them, financial performance analysis provide a better way as it helps in evaluating the relationship between component parts of financial statements to obtain a better understanding of a firm's weakness and strength as well as is overall soundness. Thus, if these information are correctly analyzed and understand, it guides the investors in pricing, and forecasting both divided, earning and stock growth of the firms share value in future and put him/her in better decision making position. Therefore, the relationship between financial performance analysis and investment decision are crucial in investor's rational behavior as regards to investment decision.

Theoretical Framework **Efficient Market Hypothesis**

The efficient markets hypothesis (EMH) is the proposition that current stock prices fully reflect available information about the value of the firm, and there is no way to earn excess profits, (more than the market overall), by using this information. It deals with one of the most fundamental and exciting issues in finance –why prices change in security markets and how it does affect the investors decision (Fama, 1970). It has very important implications for investors in their choice of investment as well as for financial managers. The first time the term "efficient market" was used was in 1965 in a paper presented by Fama, (1970) who said that in an efficient market, on the average, competition will cause the full effects of new information on intrinsic values to be reflected "instantaneously" in actual prices. The main engine behind price changes is the arrival of new information relevant to valuing assets such as firm performance and other

external factors. As a result, the current prices of securities reflect all available information at any given point in time.

However, when market is efficient, changes in asset prices would not be reflected in algorithms, and excess return is gained as an opportunity instead of an outcome of a correct market movement prediction. Allen, Brealey and Myers (2011) stated that market is efficient when it will not be possible for an investor to earn a return more than the market return. In other word, the value of shares will reflects the fair value of the company and will be equal to the future cash flows discounted by an alternative cost of capital. Eakins and Mishkin (2012) contested that an efficient market is a market in which asset prices reflected all information available. Therefore, the assumption of an efficient market is built on two pillars: 1) in efficient markets where available information is already incorporated in stock prices; 2) and such, investors cannot earn a risk-weighted excess return.

Rational investors represent the main cornerstone of classical theory. They are considered to form expectations and take decisions in a strictly rational way. They have a clear, complete and consistent order of preferences, know the entire set of options and is able to analyze all economic available information, to assess to what degree each option will help him achieve his objective. Moreover, the theory postulates that investors are able reliably to quantify the risks they have entered into and to take full account of transaction costs. Ultimately, all market players have a "correct" and therefore identical decision-making model under this framework. In these simple models, access to information is considered to be free and unlimited. Fama (1970) links the theory of rational expectations with the assumption of informationally efficient capital markets. Here, to varying degrees, prices directly, fully and correctly reflect any available information that is relevant for valuing an asset. This represents the present value of all future net cash flows that the investor can expect from ownership of the asset. The

assumption of rational investors and efficient markets is very ambitious and it basically represents a suitable and common framework for financial market models.

Therefore, based on the extent of the information reflected in market prices, market efficiency is divided into three levels. Weak form, semi-strong form, and strong forms of market efficiency. In weak-efficient form, the current stock price reflects all information related to the stock price changes in only in the past. Such information comprises of data on previous prices, trading volume, etc. Based on these, it becomes difficult for an investor to make excess profit in a stock market. Therefore, when the market is weak-efficient, technical analysis yields no more than normal return. In semi-strongly efficient markets, current stock prices reflect not only information about past prices but also any current publicly held information such as changes in accounting policy, dividend pay-outs and announcements of acquisitions, etc. However, in strongly efficient markets form, current stock prices will capture all possible information both publicly held and otherwise. This type of market efficiency indicates that it is no possible to earn excess profit while whatsoever.

Application of Efficient Market Hypothesis Theory to the Study

In this present computer age where information and communication technology have make processing and interpretation of relevant information for user digest faster and comprehensive, it is suffice to say that investors are now more critical in looking at information that is relevant in valuing an assets than playing with emotions as behavioral finance theory suggests. Especially after the 2008 global economic crisis, financial information and critical analysis of such information is now playing centre role in any investment decision. Even, if one cannot argue for existence of strong efficient market, the present information explosion age has given confidence that a semi-strong efficient

market do exist. Efficient market ensures that investors' decision is majorly based on analysis of financial/economic information that or which is capable of influencing price/asset value. Among these information is financial statements and account of a firm. Investors and investment analyst are now using various type of financial analysis model to assess, evaluate and predict the future performance of a firm and its asset value and therefore better guided their investment decision. Other relevant theories are:

Empirical Review

Merikas (2003), employed a modified questionnaire to assess factors determine Greek investor behavior on the Stock Exchange of Athens using analysis of variance. The results shows that individuals investors base their investment decisions on economic factors or variables combined with other non-economic variables. The results indicated that there is some level of degree of correlation between the factors as behavioral finance theory and previous empirical evidence identified. It shows that average equity investor, and the individual behavior of active investors in the Athens Stock Exchange (ASE) are being influence by the overall trends prevailing at the time of the survey in the ASE.

According to Popoola, Akinsanya, and Babarinde (2014), who evaluate published financial statements as correlate for investment decision in deposit money banks stakeholders in Nigeria. Correlation research design approach was adopted in the study. 180 users of publish financial statements were judgmentally selected and sampled in Lagos and Ibadan. Data collected was analyzed using Pearson correlation coefficient and regression analysis. The results show that, statement of financial position is adversely related to investment decision, while income statement, cash flow statement, notes on the account, value added statement and five-year financial summary are positively related to investment decision making. Their results also

show that components of published financial statements significantly predicted good investment decision making by deposit money bank investors. They recommend that the Nigeria deposit banks and professional bodies should institute programs that will improve the knowledge of shareholders on published financial statements.

Musa (2016) conducted a research on effect of financial statement analysis on investment decision using 3 selected deposit money banks in Nigeria. He adopted correlational research design and employed multiple regressions to test for relationship between the two variables. Secondary data was employed while earning per share, divided per share, price earnings ratio and number of outstanding shares were proxy for financial indicators and investment decision respectively. The study found that a positive relationship exist between the first two dependent variables (earning per share and divided per share) and the number of outstanding shares while there is negative relationship between price earnings ratio and the number of outstanding shares.

Nagy and Obenberger (1994), examine the extent at which listing of 34 variables influence shareholders' perception, and explain the role of a mix of non-financial variables and financial variables. The study adopted survey research design and selected 15 listed companies using simple random sampling technique. T-test was used for data analysis and test of hypotheses. The finding revealed that most the variables influencing investor's decision are financial in nature compare to the non-financial variables. They recommend that financial information providers should place more emphasis on financial indicators or variable when preparing financial reports.

According to Mercy (2004) in his study "The financial statement analysis and investment decision making". The study explores primary data using close-ended questionnaire through sample survey research approach to gather

information. He found that financial statement is relied on by investors in making investment decision and financial statements are vital in forecasting firm's performance. The conclusion was make based on the findings that financial statements plays a crucial role in investment decision and recommends that further investment decision should be taken with the consideration of a company's financial statements (Mercy, 2014).

Kadiyala and Rau (2004), assess investor reaction to corporate event announcements and they find that investors appeared to under-react to prior information and information conveyed by the event, resulting in different patterns. The behavioral finance literature has promulgated two contradictory models of irrational investor behavior. In the first model, investors have a tendency to overreact to information, resulting in a pattern of long term return reversals when firms announce corporate events such as new issues of stock. In the second model, investors under-react to information, resulting in long term return continuations when firms announce corporate events like cash-financed tender offers or open-market share repurchases. Behavioral models have been viewed with skepticism partly due its inability do reconcile why investors seemingly overreact to a corporate event such as a seasoned equity offering and, while seeming to underreact to an event such as a share repurchase.

Sujeewa (2016) evaluate the impact of firm specific factors on the investors' decision using a case study of listed manufacturing companies in Colombia Stock Exchange. He adopted Balanced Panel Data (BPD) of 20 manufacturing companies and the data collected were analyzed using the Pearson's Correlation and Multiple Regression Model to identify the relationship between the selected firm specific factors and the investor's decision. The study found a positive relationship between the selected firm specific factors of dividend per share, earning per share and net assets value per share and investors decision.

Lee and Tweedie (1977), in their study on

Financial Indicators and Investors Reaction using secondary and primary data from company's shareholders and financial parameters from London Stock Exchange. The study use employed chi-square test for independent. Their study shows that the general public are confronted with problems in understanding financial reporting in the corporate sector. Lee and Tweedie (1977), describe individuals as "investors" rather than "traders" since they are long-term minded and give little interest to short-term yields.

Iheanyi (2017), assess the Performance of Nigeria's Bank through Camel Model. 19 years data were collected and analyzed through ordinary least square and result shows that capital adequacy, management efficiency, Earning and liquidity have no significant impact on the profitability of the banks. Assets quality has a negative impact on that profit of the bank. He recommends that they should improve their quality of assets and ensure that their assets are more of performing rather than non-performing assets.

Lucky and Akan (2017), Uses CAMELS models to analyze the strength of Nigerian quoted deposit money banks from 1997 – 2016 before and after consolidation. They employed time series and data were sourced from financial statements of the quoted deposit money banks within the period. The study adopted Capital to Risk Assets Ratio (CRA) and Adjusted Capital to Risk Assets (ACRA) as Capital Adequacy (C), Non-Performing Loans and Advances to Total Assets (TLA/TA) as Assets Quality (A), Operating Expenses to Total Assets (OPE/TA), Total loans and Advances to Total Deposit (TLA/TD) as Management Quality (M), Net Interest Income to Total Assets (NII/TA) as Earnings (E), Total Liquid Assets to Total Assets (L) as liquidity (TLA/TA) and Net Interest Income to Gross Domestic Product (S) (TLA/GDP) as sensitivity. Simple average and mean ranking was used to analyze the data. The study shows that the performance of the deposit money banks in the

after consolidation is better than before consolidation. It recommends that the banking sector reforms should be strengthened deepened and the capital and management of the deposit money banks should be used effectively to achieve the objective of the banking sector reforms.

Jha and Hui (2012) employed CAMEL model to evaluate the financial performance of deposit money banks in Nepal by identifying the determinants of performance. They used regression models to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin and credit to deposit ratio on the financial profitability namely Return on Assets (ROA) and Return on Equity (ROE). Return on assets was statistically influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity. The result shows that return on assets (ROA) was statistically influenced by capital adequacy ratio, interest expenses to total loan and net interest margin meanwhile, capital adequacy ratio had considerable effect on return on equity.

Echekoba, Francis and Kasie (2014) study the factors that determine profitability of banks in Nigeria: the study employed CAMEL model with the objective of stud to evaluate the impact of CAMEL on the profitability of Nigerian banks. The data of the deposit money banks in Nigeria were obtained from 2001 to 2010. Ordinary least square method was employed. The result shows that liquidity has a statistical impact on banks profitability while capital adequacy, assets quality, management efficiency, earning did not has significant impact on profitability. The study recommend to the banks to make sure that they maintain a reasonable liquidity position oftentimes to meet up regular financial obligations so as to increase depositors' confidence in the industry and increase profitability.

METHODOLOGY

The study is non-experimental in nature and it involves non interventional study of influence of

one variable (financial performance indicators) on another variable (investors' reaction towards those indicators). Thus, the study employed a correlative research design to examine how financial performance analysis indicators presented in financial statement and analyzed using CAMEL parameters affect the investment decision of shareholders. The population of the study is made up of all the 19 certificated deposit money banks in Nigeria whose share are publicly held and wildly traded on the floor of Nigeria Stock Exchange as at December, 2016. Five banks are selected for the study. The sample was drawn from both “old and new generation” banks: three from New Generation and two from Old Generation banks, namely: Zenith Bank plc, Guaranty Trust Bank plc, Access Bank plc, United Bank of Africa plc and First Bank plc. The decision to choose these five banks is informed by the fact that the method allowed to use criteria base on researcher's knowledge and relevant of the sample for the intended aim of the study. A simple random sampling technique without replacement was used. The formular is as follows:

$$n = \frac{1}{\frac{1}{N} + \left(\frac{A}{t \times s}\right)^2}$$

Source:

Kanpur (2013), Kentucky University (2012)

The nature of the study and the relevant information needed supported mainly deals with existing records and data. Therefore, the study use secondary data source to present, analyze and draw inferential conclusion based on statistical test. Data relating to investor' decision of the five banks and financial performance were taken from Nigeria Stock Exchange Daily Reports (sorted through Capitalassets.com), Annual Financial Reports and Account, Nigeria Stock Exchange Bulletins and Gazettes. The information taken from Nigeria Stock Exchange Bulletins and Capitalassets.com are number of deals per day (number of times the share of the banks are buy and sold per day) in the Nigeria Stock Exchange. CAMEL Ratio analysis was applied to the annual

financial statements of the five banks to compute parameter such as capital adequacy, assets quality, management efficiency, earning ability and liquidity. For the purpose of testing the hypotheses formulated for the study, the multiple linear regression published The model was adopted from the empirical works of Baker and Tahir (2009), Elyor (2009), Jha and Hui (2012). Regression analysis is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables called the explanatory (or independent) variable(s), with the view of estimating and/or predicting the population from the former in terms of known or fixed values of the latter (Robert, 2004). The standard regression model is

$$Y_i = \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip} + \epsilon_i$$

However, for the purpose of the study, the model was modified and variables such as yearly-average number of deals on the banks' share per day, Capital adequacy ratio, Assets quality ratio, management efficiency ratio, Earning ability ratio and Liquidity ratio of the banks were expressed as follows

$ID = \beta_0 + \beta_1 CA + \beta_2 AQ + \beta_3 ME + \beta_4 EA + \beta_5 LQ + \mu$
 Where ID is the dependent variable and CA, AQ, ME, EA and LQ are the explanatory variables (independent variables).

β_0 = Intercept, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = the regression parameter. ($\beta_1, \beta_2, \beta_3, \beta_4 > 0$), μ = stochastic Term

DATA PRESENTATION AND DISCUSSION

The data are presented in table for easy understanding and comparison among the five selected deposit money banks over a period of 9 years. Mean average were calculated along each parameter to aid in evaluation and judgment.

Table 4.2 Capital Adequacy of the Five Selected Deposit Money Banks

Bank	Equity to Total Assets (%)											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First B	10.1	29.1	17.9	17.4	15.2	13.4	10.8	5.8	13.7	14.3	11.1	14.4	4
Zenith B	12.7	20.1	20.8	19.5	17.1	17.9	16.4	14.9	14.5	14.8	14.6	16.6	2
Gibank	22.5	17.5	18.4	19.2	15.3	17.6	17.0	16.9	17.8	16.2	18.6	17.8	1
UBA	14.9	12.3	13.4	13.1	10.9	11.3	11.7	12.0	15.2	12.7	13.0	11.5	5
Access B	8.2	15.2	23.3	24.3	21.8	15.6	14.3	13.8	14.9	13.0	12.5	14.9	3
Total	68.4	94.1	93.8	93.5	80.3	75.8	70.2	63.4	76.1	71.2	70.0		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2018).

Capital adequacy reflects the inner strength of banks, which would stand in good stead during times of financial downturn. Capital adequacy is the amount of capital required to maintain the balance with the risk exposure of the banks such as credit risk, market risk and operational risk, so as to absorb the potential loss and to protect the controlling interest of the shareholders as well as the financial institution's debt holder in addition to meeting the minimum level of statutory requirement. The capital adequacy ratio measured by the ratio of total equity to total asset.

Based on the presentation in table 4.2 above, Guaranty Trust Bank plc came first with 18% of its assets being financed by equity. This is followed by Zenith Bank and Access Bank plc with average equity to total assets of 16.6% and 14.9 % respectively. United Bank for Africa plc has the least percentage of equity to total assets among the five selected banks. The implication of the above analysis is that, Guaranty Trust Bank and Zenith Bank's shareholder's interests are more secure than United Bank for Africa and First Bank and in the same vain, the banks creditor/depositors are more secured that the two banks that came last in ranking.

Table 4.4 Assets Quality of the Five Selected Deposit Money Banks

Bank	Loan & Receivable to Assets (%)											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First B	46.1	58.3	71.4	72.1	55.2	59.0	56.3	58.4	47.4	53.3	52.4	57.6	4
Zenith B	34.3	53.4	60.9	58.2	49.4	45.1	47.8	59.8	56.4	48.3	37.5	50.4	3
Gibank	48.3	65.9	72.6	72.1	55.5	55.8	48.3	45.7	44.1	51.0	43.2	50.2	2
UBA	70.2	65.6	71.6	60.0	35.6	30.9	37.1	39.9	37.7	43.6	41.0	44.7	1
Access B	71.2	77.3	71.0	67.8	65.4	36.1	43.5	54.6	54.4	53.2	50.3	58.6	5
Total	270.1	320.5	347.5	330.2	261.1	226.9	233	258.4	240	249.5	224.5		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2017).

Asset quality determines the healthiness of financial institutions against loss of value in asset as asset impairment or loan default risks the solvency of financial institutions. With this framework, the asset quality is assessed by taking

the ratio of loan and receivable to total assets. The lower the total loan and receivable to total assets indicate that the quality of the asset of the bank is relatively better than the other banks.

From the table above, United Bank of Africa plc secured the first position among the five deposit banks with lower average value of 44.7% while Zenith Bank plc came third with average of 50.4 %. Access Bank plc have the highest average of 58.6% of loan to total assets and First Bank plc came close to it with 58.6% and thus maintaining the fourth position in the average-mean rank. This means that United Bank for Africa plc have high assets base than the other remaining banks. Only 44.7% of the bank total assets are allocated and available as loan and receivable compared to Access Bank plc and First Bank plc who have their 58.6% and 58.6% of their total assets as loan and receivable. Though, bank's primary activities lies on mobilizing of fund from surplus units to deficit units for short term finance which majorly involved accepting of deposit and granting of loan and advance however, is not financially sound for bank to have all its assets as loan and advance. Such situation shows strength or weakness of a bank in respect to assets base. From the above presentation, United Bank of Africa have the strongest assets base compared to the others while Access bank have the weakest assets base. Bank assets base serve as a security against sudden economic shock in the economy which might affect macro-economic variables and trigger uncertainty in the economy

Table 4.6 Management Efficiency of the Five Selected Deposit Money Banks

Bank	Total Expenses to Total Income											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First B	74.1	75.6	67.2	80.4	60.4	65.3	62.2	66.2	59.2	24.8	29.4	60.4	2
Zenith B	73.8	74.2	87.5	74.6	73.4	66.2	69.7	71.0	70.9	37.5	45.6	67.6	5
Gibank	53.4	53.4	76.0	58.1	23.9	51.4	54.6	55.6	57.9	25.6	24.6	48.5	1
UBA	50.9	40.5	79.3	84.6	131.0	62.8	62.4	70.5	67.7	37.4	36.2	65.6	4
Access B	71.1	66.9	47.8	51.6	87.6	79.0	82.8	56.5	60.4	43.7	48.8	63.2	3
Total	323.3	310.6	357.8	349.3	376.3	324.7	331.7	319.8	316	169.2	184.8		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2017).

Management quality is the ability of the board of directors and management, to identify measure and control the risks of the bank's activities and to ensure the safe, sound and efficient operation in-line with applicable laws and regulations.

The performance of Management capacity is often qualitative and can be assess through the subjective evaluation of Management systems, organization culture and control mechanisms and

so on. Though, the capacity of the management of a deposit money bank can also be gauged with the use of ratios of off-site evaluation of a bank. Such may involve the ability of the management to deploy its resources aggressively to maximize the income, utilize the facilities in the bank productively and reduce costs of its operations etc.

In this respect, the management ability in this study is measured by total expenses to total income. It measured the percentage of income used to run the day to day operation of the banks. Guaranty Trust Bank plc has the most efficient management and use of resources with low operational cost. The bank only uses 48.5% of its total income as operational cost as compared to Zenith Bank plc whose 67.6% of its total income was committed to operational cost. However at average, more than 50% of the total income of the banks was charged as cost of operation.

Table 4.8 Earning Ability of the Five Selected Deposit Money Banks(%)

Bank	Net Profit to Total Equity											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First Bank	23.7	8.9	9.9	7.9	6.1	19.1	16.9	18.7	0.00	1.8	6.8	12.63	4
Zenith B	15.5	13.7	5.5	9.5	1.1	21.8	17.9	18.5	17.7	23.6	21.9	12.82	3
Gtbank	13.3	17.3	12.6	17.7	22.0	29.7	26.3	24.7	23.2	26.1	27.2	21.83	1
UBA	12.0	21.2	6.8	1.1	(4.4)	21.5	17.9	14.2	14.0	30.8	20.0	12.30	5
Access	21.4	9.3	12.3	7.0	2.8	15.0	10.6	14.5	18.2	22.7	17.6	13.76	2
Total	85.9	70.4	47.1	43.2	27.6	107.1	89.6	90.6	73.1	105.2	93.8		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2017).

Guaranty Trust Bank plc again has the highest net profit to total equity securing the first mean rank with average of 21.83%.The bank proves effective in efficient utilization of resources as earlier showed in table 4.3. Access Bank plc and Zenith Bank plc secured second and third position with average net profit to total equity of 13.76% and 12.82% respectively. United Bank for Africa plc recorded loss in 2011 as the ratio was in negative 4.4 and this could explain the reason why the bank was in the last position of the mean rank with 11.58%

The Earnings is a yardstick for evaluating financial performance. Quality of earning means the sustainability and growth of future earnings and its competency to maintain quality consistently. The net interest margin measures how large the spread between interest revenues

and interest cost over earning assets and the pursuit of the least cost source of funding. In the present study the earnings ratios calculated for the purpose of earnings analysis is Net profit to Total Equity as depicted in the table 4.4 above.

Table 4.10 Liquidity of the Five Selected Deposit Money Banks(times)

Bank	Liquid Assets to Total Deposit											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First Bank	1.00	1.30	1.03	1.08	1.28	0.95	1.21	1.30	1.30	1.9	1.6	1.26	5
Zenith B	1.47	1.38	1.31	1.29	1.67	1.19	1.32	1.45	1.55	4.1	5.5	2.01	1
Gtbank	1.60	2.05	1.42	1.37	1.47	1.45	1.43	1.40	1.25	2.1	2.9	1.67	3
UBA	1.13	1.05	1.40	1.55	1.23	1.20	1.20	1.19	1.32	2.9	3.1	1.56	4
Access	1.57	2.89	1.62	1.54	1.60	1.07	1.22	1.20	1.43	3.1	3.5	1.86	2
Total	6.73	8.67	6.78	6.83	7.25	5.86	6.38	6.54	6.85	14.3	16.8		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2017).

Liquidity deals with optimal management of liquid assets. If funds are not properly utilized, the banks will suffer loss but idle cash balance in hand has no yield. On the other way, if bank does not maintain good liquid cash in hand, it will not be able to pay the demand withdrawal of depositors and installment of creditors and, possibly pay for other contingent liabilities. These could lead to overtrading position to the bank and create problems to borrow funds at high rate. A well manage liquidity position should be maintained by avoiding inadequate cash, or excess cash. The liquidity position of the banks understudy is presented in tables 4.5 above.

Zenith Bank plc has the best liquidity position with ability to meets its short term obligation more than once and half times (2.01). Access Bank plc secured the second position with ability to meet its short term obligation twice and less than half times (1.86). First bank plc was in the least position with 1.26 times ability to meets its short term obligation. However, all the banks were able to meet their current obligation atleast once.

Table 4.10 Sensitivity of the Five Selected Deposit Money Banks (times)

Bank	Sensitivity to Market Risk											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First B	0.5987	0.9701	1.0382	1.0110	0.7440	0.7508	0.7130	0.6958	0.6501	0.718	0.7204	0.7827	2
ZB	0.5347	0.7713	0.8631	0.8083	0.6805	0.6099	0.6616	0.9101	0.9105	0.767	0.6109	0.7389	1
Gtbank	0.8159	1.0526	0.8112	0.7864	0.7049	0.6997	0.7322	0.6984	0.8898	0.753	0.6748	0.7835	3
UBA	0.8629	0.7731	0.6388	0.7685	0.4791	0.4033	0.4598	0.5183	0.5156	0.588	0.5828	1.3263	4
Access	1.1125	2.0520	1.1000	1.0001	0.6520	0.5108	0.6159	7.1303	0.3446	0.821	0.7658	1.4640	5
Total	3.924	5.619	12.451	4.3745	3.260	2.9747	3.182	9.953	3.310	3.649	3.3550		

Source: Compiled from Annual Report and Accounts of the Banks, (2007-2017).

The sensitivity analysis presented above in table 4.10 relate to market interest risk and the covering power of the banks to absorb the risk. The

calculations were done by dividing the rate-sensitive assets of the banks by its rate-sensitive liabilities. Based on the average ranking of the banks, Zenith Bank plc have the least risk exposure due to adverse change in interest rate (decrease in interest rate) followed by First Bank Plc which maintained the 0.7827 risk cover compared to Guaranty Trust Bank Plc while UBA and Access Bank have the highest interest risk exposure among the selected banks.

Table 4.11. The Banks' Yearly-Average Number of Shares Bought and Sold on the Floor of NSE

Bank	Number of deals per days for a year over 365 days											Average	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
First Bank	691	1209	906	801	611	511	525	505	442	572	618	672	1
Zenith B	389	339	261	387	330	273	321	294	297	319	342	323	3
Gtbank	620	632	412	496	519	382	381	316	281	345	315	427	2
UBA	220	214	321	229	248	270	345	479	286	226	207	277	4
Access	194	313	242	206	170	193	242	161	177	146	170	201	5
Total	2114	2707	2142	2119	1878	1629	1814	1755	1483				

Source: Compiled from Nigeria Stock Exchange Statistical Bulletin, through Capitalassets.com(2007-2017).

Companies whose shares listed on the first-tier in the Nigeria stock Exchange have their shares being traded freely on the floor of the stock exchange. Investors meet to buy and sell the company shares at an agreed price. The number of times the shares of a company (bank) are being bought and sold per day refers to as deals per day. A high number of deals per day show that the bank is considerably doing well both in share growth and overall performance of the bank.

In the table above, the yearly-average number of shares of the bank bought and sold was calculated by taking the number of deals per day for 365 days consecutively and then divided by 365 days. The average mean computed shows that, First Bank is the market leader with 672 average numbers of deals per day followed by Guaranty Trust Bank Plc with 427 average deals per day. However, Access Bank plc came last with 201 deals per day. Zenith Bank plc and United Bank for Africa secured second and third position respectively with 323 and 277 numbers of deals per day.

Data Analysis

A fair comparison of the five deposit money banks will assist in understanding these data presented above and better appreciate the overall financial strength and weakness of the companies. Guaranty Trust Bank has a very good financial strength, in fact, the bank have good capital adequacy, and an efficient management of resources to maximize income at minimal cost, a

very high earning ability and with a well manage liquidity position. The overall performance of the banks is very good with all its CAMEL measurement parameter maintaining strong positions compared to the other studied banks. The only area that the bank needs little effort to improve on is on its Assets Quality as it was ranked second with average of 50.2% compared to the other banks in the study. However, the bank was ranked second on how frequent its shares are being traded on the floor of the Nigeria Stock Exchange. It is the assumption of this study that, a company with good financial performance as revealed by CAMEL parameter will have its share frequently and widely traded on the floor of Nigeria Stock Exchange as such information could influence the investment decision of investors to buy, sell or hold their investment (shares). The bank has its shares traded on average 449 of times per day for 9 years consecutively.

The overall performance of Zenith Bank plc show that the bank is doing good and could be placed in second position after Guaranty Trust Bank in term of financial strength. The bank maintained second positions among all the selected banks in three different CAMEL parameters rank. The bank was ranked second in term of Capital Adequacy with 16.6% of Total Equity to Total Assets after Guaranty Trust Bank; third in Assets Quality with 50.4% of loan and advance to total assets; and again third in Earning Ability after Guaranty Trust bank again with 12.82% of Net Profit to Total Equity. However, the bank has poor performance in term of Management Efficiency. The ratio of its total expenses to total income is 67.6% which mean the bank spend almost all of its generated income on operational cost. The bank also need to improve on its liquidity position as it came third on the mean rank with ability to meet its short term obligation only 1.46 times the total customer's deposit. Though, the bank secured third position as being the next bank whose shares is very attractive and frequently buy and sold on the floor of the Nigeria Stock exchange. Its sensitivity to market interest risk is fairly normal (0.7389) compared to UBA bank and Access banks plc. Therefore, the level of the bank exposure to market interest risk due to change in the interest rate is minimal especially, when the interest rate drop or decrease. The bank has it shares traded on average of 332 times per day for 9 years.

First Bank plc could be ranked in fourth position on the overall performance after Access Bank plc. The bank was ranked 4th in term of Capital

Adequacy with 14.4% of its Equity to Total Assets after Access Bank Plc. The bank also came 4th in term of Assets Quality with 57.6% of its total assets available as loan and advance after Guaranty Trust Bank Plc. In term of Management Efficiency, the bank was ranked 2nd after Guaranty Trust Bank with 60.4% of it generated income spent on operational activities of the bank. The bank also was in fourth position in term of Earning Ability after Zenith Bank Plc as it was able to generate net income of 12.63% of its total equity. In term of Liquidity, the bank came last with ability to cover its current obligation only 1.26 times. However, the bank shares were the most attractive and frequently traded in the Nigeria Stock Exchange than Guaranty Trust Bank and Zenith Bank plc. This could possibly be attributed to behavioural aspect of finance investment and its strong risk cover or low sensitivity to market interest risk. The Bank was ranked first with interest rate risk cover of 0.7827 which means that in wake of low interest rate in the market, the bank would not be significantly exposed to risk of losing much income or become insolvent because the ratio of its rate-sensitive liability to rate-sensitive assets is below 1.

Guaranty Trust Bank could be ranked third among the five selected banks. The bank's was ranked first in capital adequacy, management efficiency and in earning management. It was ranked second in liquidity and number of deals in share on the floor of Nigeria Stock exchange from 2007 to 2015 among the selected banks. Lastly, the bank came third in assets quality and sensitivity to market risk.

United Bank for Africa could be possibly put in last position base on the overall financial performance of the bank. The bank was ranked last in term of Capital Adequacy and Earning Ability with 11.5% of Equity to Total Assets and 72.1% of Net Profit to Total Equity after First Bank plc and Access Bank plc. The bank was ranked 4th both in term of Management Efficiency and Liquidity with 65.6.% of Total Expenses to Total Income and 1.56 times of Liquid Assets to Total Deposit. The bank share is second to the least attractive and frequently traded instrument among the selected banks on the floor of the Nigeria Stock Exchange. Though, the bank maintained the best Assets Quality among the five selected bank for the study.

Test of Hypotheses

To conduct inferential statistical test, the total of each CAMELS ratio parameters of all the five

banks put together were regressed against yearly-average number of deals of the banks per day for the 9 years of the study using Multiple Linear Regression.

Table 4.13 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999 ^a	.998	.993	29.899	2.660

a. Predictors: (Constant), Sensitivity, Liquidity, Management Efficiency, Capital Adequacy, Assets Quality, Earning Ability

b. Dependent Variable: yearly average number of deals

Source: SPSS v 21.

The model summary in table 4.8 shows the fitness of the regression analysis. It shows the overall relationship between the investors' decision (captured by average number of deals) and financial performances of the banks. The R-square shows that without adjusting for error, 99.8% change in the average number of shares for the whole 9 years can be attributed to the banks financial performance. However, when adjusted for error, 99.3% of the change in the average number of dealings on the banks shares could be explained by their overall financial performance with Durbin-Watson value of 2.660 and this is high enough to justify that the result of the multiple regressions is very reliable and the fit of the regression model is good.

Table 4.14 ANOVA^a

Model	Regression	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1045496.969	43	174249.495	194.919	.005 ^b
	Residual	1787.920	2	893.960		
	Total	1047284.889	44			

a. Dependent Variable: yearly average number of deals

b. Predictors: (Constant), Sensitivity, Liquidity, Management Efficiency, Capital Adequacy, Assets Quality, Earning Ability

Source: SPSS v 21.

The F-Distribution_{cal.val.} returned 9.593 compared to the F-Distribution_{tab.val.} of 4.8 under degree of freedom 3 differences 8. This shows that the banks financial performance has significant relationship with investment decision of shareholders. This is because; the critical value obtained which is 0.005 is lower than the p-value set at 0.05 level of significance.

Table 4.15 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
(Constant)	8815.767	659.060		13.376	.006	
1	Capital Adequacy	-10.010	1.929	-.326	-5.190	.035
	Assets Quality	10.109	.638	1.255	15.844	.004
	Management Efficiency	14.105	1.280	.857	11.020	.008
	Earning Ability	17.505	1.255	1.267	13.948	.005
	Liquidity	441.884	24.357	.944	18.142	.003
	Sensitivity	-39.074	4.775	-.369	-8.183	.015

Source: SPSS v 21.

The Coefficients table shows the Beta coefficient, t-value and p-value of each CAMEL parameters of the banks financial performance. Standardized Beta Coefficients represent the extent and nature of relationship between the parameters and the yearly-average number of deals which represented

the investors' decision. t-value assesses whether the mean of the dependent variable is statistically influenced by the independent variable(s) while p-value(sig.) shows the critical value obtained which is use in revealing the significance of the relationships. The Standardize Coefficients Beta represents the extent of deviations the investor's decision will change, per standard deviation increase in the performance indicators. Therefore, it shows which of the performance indicators have a greater effect on the investor's decision in the regression analysis. The *t* statistic is the coefficient divided by its standard error. The standard error is an estimate of the standard deviation of the coefficient, the amount it varies across the performance indicators. It is a measure of the precision for the test (regression analysis). The results above will be analyzed based on the hypotheses re-instated below.

Discussion of Findings

As earlier identified in 'gap in literature' in the chapter two, to the best knowledge of the researcher, there is little work done on financial performance analysis that deals directly with the nature of this study i.e proxy the effect of financial performance analysis on investment decision using CAMEL parameter and number of deals on the banks share per year as independent and dependent variable(s) respectively. However, the findings of this study were discussed using empirical literatures that deals with financial statement analysis and investment or investor's decision.

Based on the multiple regressions, the model summary shows that, 99.3% of change in the total number of deals in the banks' shares which represented the investors' decision could be attributed to the influence of their financial performance. The test revealed a significant effect of performance analysis on investment decision with critical value of 0.005. This finding is in conformity with the findings of Nagy and Obenberger (1994) that evaluate the extent to which listing of 34 variables influence shareholders' perception, and provide proves of a role for a mix of financial and non-financial variables. He found that the variables influencing investor's decision mostly are financial in nature compare to the non-financial variables. The finding is equally in tandem with the work of Mercy (2014) on the role of financial statement analysis in investment decision making". He revealed that financial statements important

role in investment decision making and recommends that no investment decision should be venture into without due consideration to a company's financial statements. Again, the work is in agreement with the finding of Popoola, Akinsanya, Babarinde and Farinde (2014), who evaluate published financial statements as correlate of investment decision among deposit money bank stakeholders in Nigeria. Their study shows that components of published financial statements statistically indicate good investment decision making for deposit money bank investors.

Specifically, the test revealed that, Assets Quality which is loan & advance to total assets and Liquidity which is liquid assets to total deposits are positively and significantly affecting the shareholders' investment decision. Though, Management quality and Earning Ability are not significantly affecting investment decision however, they have positive effect on the shareholders' investment decision. These findings are in line with the findings of Sujeewa (2016) studied the impact of firm specific factors on the investors. He found a positive relationship between the selected firm specific factors of dividend per share, earning per share and net assets value per share on investors decision. The findings also confirmed the work of Musa (2016) who concluded that a positive relationship exists between earning per share and divided per share (which is one of the ratio indicators for earning ability parameter) and the number of outstanding shares.

However, it was found that the ratio of Capital Adequacy which is total equity to total assets have negative effects on the shareholders' decision. This finding though could be controversial, is in line with the finding of Popoola, Akinsanya, Babarinde and Farinde (2014), who concluded that some items of statement of financial position is negatively correlated with investment decision.

Conclusion

Based on both the descriptive and inferential statistical analysis and test run therein, it is evident that financial performance has positive and significant effect on investment decisions of the banks' shareholders/investors. However, decomposing the financial performance measures using CAMEL model, only Assets Quality and Liquidity have both positive and significant effects on investment decision while Management Efficiency and Earning Ability only have positive

effect but not significant with investment decision. Capital Adequacy has negative but insignificant effect on investment decision. Guaranty Trust Bank and Zenith Bank are the most financially performing banks while United Bank for Africa is the least among the five banks captured in the study.

Based on the findings, the following recommendations are hereby made,

1. Capital Adequacy should be highly monitor and control by ensuring that the level of debt is reduce and increase the amount of equity capital to total debt as it have negative relationship with investors/shareholders' investment decision.
2. The banks should improve on their Assets Quality as it has positive relationship with their investors' investment decision by reducing the level of none performing loan and increase provision for doubtful debt.
3. Management Efficiency should be improve to make a significant positive effect on investors/shareholders' investment decision through financial prudent especially on operational expenditure.
4. The Level of Earning Quality is preferable and should be maintain to exert maximum influence on investors/shareholders' investment decision because it have positive effect on investment decision.
5. The Banks should manage the level of Liquidity currently maintain as it has positive and significant effect on investment decision. However, individual bank(s) who are ranked low in Liquidity parameter table should improve on their liquidity rate.
6. The banks should reduce their exposure to market interest risk due to their high percentage of rate-sensitive assets to rate-sensitive liabilities especially, Access Bank plc and UBA plc. They can reduce their risk exposure by increase the level of their total deposit and reduce their total loan and receivable.

REFERENCE

- Aburime, T. (2008). *Determinants of Bank Profitability: Company-Level Evidence from Nigeria*. Available at SSRN: <https://ssrn.com/abstract=1106825> or <http://dx.doi.org/10.2139/ssrn.1106825>Am edu,
- M. A. (2012). Role of Financial Statement in Investment Decision Making: A Case Study of First Bank of Nigerian. *Journal of accounting*, vol. 1 no.4.
- Baker, H.K., Hargrove, M. B. & Haslem, J. A. (1977). "An Empirical Analysis of the Risk Return Preferences of Individual Investors," *Journal of Financial and Quantitative Analysis*, Vol. 12, No. 3, pp. 377-389, 1977.
- Baral, K. J. (2005). Health Check-up of Commercial Banks in the Framework of CAMEL: A Case Study of Joint Venture Banks in Nepal. *The Journal of Nepalese Business Studies* Vol.8, 211-298.
- Barker, D. & Hodsworth, D. (1993). "The Causes of Bank Failures in the 1980s". Research Paper No. 932-935, Federal Reserve Bank of New York.
- Barr, E. & Richard, S. (2002). "Evaluating the Productive Efficiency & Performance of U.S commercial Banks:", *Journal of Engineering Management*, 28(8), P. 19.
- Uniform Financial Institutions Rating System (1997). *Statements of Policy. The United States: Federal Deposit Insurance Corporation (FDIC)*
- Central Bank of Kenya, (2012). *Bank Supervision Annual Report 2012*. Accessed from http://www.centralbank.go.ke/downloads/acts_regulations/banking_Act.pdf Accessed on 22/6/2015.
- Central Bank of Nigeria (2009). *Bank Supervision Annual Report 2009*. Central Bank of Nigeria, Abuja.
- Dash, M., & Das, A. (2009). *A CAMELS Analysis of the Indian Banking Industry*. Retrieved May 24, 2011, from Social Science Research.
- Ebrahimi, M., & Chadegani, A. A. (2011). *The Relationship between Earning, Dividend, Stock Price and Stock Return: Evidence from Iranian Companies*. International Conference on Humanities, Society and Culture. 318-323.
- Flamini V., McDonald, C. & Schumacher, L.

- (2009). The Determinants of Commercial Bank Profitability in Sub-Saharan Africa, *IMF Working Paper*, 09/15.
- Gavila, S. & Santabarbara, D. (2009). *What Explains the low Profitability in Chinese Banks*. Winsow Publisher. Pg30.
- Gaytán, A. & Johnson, C.A. (2002). "A Review of the Literature on Early Warning Systems for Banking Crises". Central Bank of Chile Working Papers, No. 183. Santiago, Chile
- Hirtle, B. J. & Lopez, J. A. (1999). "Supervisory Information and the Frequency of Bank Examination". *FRBNC Economic Review*, p. 4.
- Hussein, A.H. (2007) Factors Influencing individual Investor Behaviour in the UAE Financial Markets. *Journal of Business*, Vol.92, 2007
- Kadiyala, P. & Rau, R. (2004) "Investor reaction to corporate event announcement: Underreaction or overreaction?", *Journal of Business*, Vol.77
- Kamau, A.W. (2009). *Efficiency in the Banking Sector: An Empirical Investigation of Commercial Banks in Kenya*. A thesis submitted in partial fulfillment of the Requirements of Nairobi University for the Degree of Doctor of Philosophy. Retrieved from http://erepository.uonbi.ac.ke:8080/xmlui/bitstream/handle/11295/95658/Onjala_Determinants%20of%20financial%20performance%20of%20commercial%20banks%20in%20Kenya.pdf;jsessionid=A70A1551AB728D72B6B80DC7C9A10288?sequence=1
- Koch, T.W. (1995). *Bank Management*. 3rd edition. The Dryden Press. London.
- Lee, T.A & Tweedie, D.P. (1977), *The Private Shareholder and the Corporate Report*, Institute of Chartered Accountants in England and Wales, London. *Accounting, Finance and Business Studies*.
- Levine, R. (1998). The legal environment, banks, and long run economic growth. *Journal of Money, Credit and Banking*. 3(1), 91-100
- Mercy, A.A. (2014). Role of financial statement in investment decision making: A case study of first bank of Nigerian plc), *International Journal of Accounting Information Systems* 1(2), 91-105.
- Merilkas, A. & Prasad, D, (2003), Factors influencing Greek investor behavior on the Athens stock exchange. *Journal of Business*, Vol.66
- Musa, H. (2016). Effect of Financial Statements Analysis on Investment Decision of Selected Bank in Nigeria. Unpublish paper in accounting and research.
- Nagy R.A & Obenberger R.W. (1994). Factors Influencing Individual Investor Behavior. *Financial. Analysis Journal*, 63-68.
- Neceur, P. (2002). Bank regulation and Supervision: What works best? *Journal of Financial Intermediaries*, 13, 205-248.
- Penman, S. H. (2010), Financial Forecasting, Risk and Valuation: Accounting for the Future, *London Journal of Economic; Abacus*, 46, (2), 211-228.
- Popoola, C. F., Akinsanya, K., Babarinde, S. B., & Farinde, D. A. (2014). Published Financial Statement as a Correlate of Investment Decision among Commercial Bank Stakeholders in Nigeria, *World Academy of Science, Engineering and Technology, International Journal of Social, Management, Economics and Business Engineering*. Vol:8(1).
- Sufian, F. & Chong, R. R. (2009). Determinants of Bank Profitability in a Developing Economy: Empirical Evidence from Philippines. *Asian Academy of Management Journal of Accounting and Finance*. 9(5), 14-20.
- Sujeewa, K. (2016). Impact of Firm Specific Factors on the Stock Prices: A Case Study on Listed Manufacturing Companies in Colombo Stock Exchange. *International Journal for Research in Business, Management and Accounting*. Vol 2 ISSN : 2455-6114

- Uzhegova, O. (2010). The Relative Importance of Bank-specific Factors for Bank Profitability in Developing Economies. *Economics and Finance Review* Vol. 1(5) pp.01 – 30, July, 2011
- Hirtle, J. & Lopez, U. (2010). An Empirical Estimation of Loan Recovery and Asset Quality of Commercial Banks; *The NEHU Journal*, 8(1).
- CBN (25 November 2015). "Central Bank of Nigeria: List of Financial Institutions - Commercial Banks". Abuja: Central Bank of Nigeria(CBN). Retrieved 25 November 2015.
- Ivanova, C. I. & Avasilcăi, S. (2013) Performance measurement models: an analysis for measuring innovation processes performance. *Journal of Social and Behavioral Sciences*. 124 (2013) 397 – 404. Retrieved from https://www.researchgate.net/publication/275254273_Performance_Measurement_Models_An_Analysis_for_Measuring_Innovation_Processes_Performance
- Senthil, N. & Nagarjan, V. (2013), A Study on Financial Performance Analysis of Larsen and Toubro Limited. *Social and Behavioral Sciences journal* 124 (2014) 397 – 404. Retrieved from <https://www.slideshare.net/sriram9693001/financial-performance-analysis-50316140>
- Eakins, G., Mishkin, S. (2012). *Financial Markets and Institutions*. Boston: Prentice Hall.
- Kanpur, S. I. (2003) *Sampling Theory*. Page 21. Retrieved from <http://home.iitk.ac.in/~shalab/sampling/chapter2-sampling-simple-random-sampling.pdf>
- Kentucky University (2012) *Simple Random Sampling Formula Sheet*. Retrieved on 21/05/2018 from <http://www.uky.edu/~jmlho/t2/courses/for480/Forest%20Sampling%20Formla%20Sheet.pdf>
- Jha, G & Hui, J (2012): "A Comparison of Financial performance of Commercial banks: A case study of Nepal". *African Journal of Business Management*, 6(25). 7601 – 7611.