
COMPARATIVE ANALYSIS OF THE INVESTMENT DECISION OF SELECTED MANUFACTURING FIRMS AND COMMERCIAL BANKS IN NIGERIA

Raymond A. Ezejiofor

Department of accountancy,
Nnamdi Azikiwe University, Awka.

Nwakoby Nkiru Peace

Department of Entrepreneurship studies,
Nnamdi Azikiwe University, P. M.B. 5025. Awka.

Okoye, Jane F. N.

Department of Entrepreneurship studies,
Nnamdi Azikiwe University, P. M.B. 5025. Awka.

ABSTRACT

This study assesses the investment decision of manufacturing firm so as to determine whether it is comparable with commercial banks in Nigeria. Specifically, the study assessed the profitability ratios, dividend coverage ratios and debt-equity ratios of manufacturing firms to determine whether they are significantly different from those of the commercial banks. Ex-post facto and time series research design were adopted. Data were collected from seven years annual reports and accounts of the manufacturing firms and commercial banks to compute the ratios on Profitability; Dividend cover; and long-Term solvency. The data collected were analyzed with financial ratios and t-test statistic was used with aid of SPSS version 20.0 to determine whether there were significant differences in the investment value of the manufacturing companies as against their commercial banks counterpart. Findings show that there is a significant difference between the profitability of manufacturing firms with that of commercial banks in Nigeria; that there is a significant difference between the coverage ratio of manufacturing firms with that of commercial banks in Nigeria; that there is a significant difference between the debt ratio of manufacturing firms with that of commercial banks in Nigeria Based on this, the study recommends that every company should adhere to the demand of subjecting their financial statements to statutory audit as a way of authenticating their contents and all material fact is reflected in order to ensure that investors are not misled.

Key words: Investment Value, Financial performance and profitability.

INTRODUCTION

Financial report is a formal and comprehensive statement describing financial activities of a business organization such as the manufacturing firm. For such a business entity, financial report is a statement that reports all relevant financial information, presented in a structured manner and in a form easy to understand for managerial use for taking prompt and informed decision making related to investment (IASB, 2007a) and also to decision making pertaining to production planning, investment planning, expected returns and performance evaluation (Afolabi, 2013).

(Benjalux, 2006) affirmed that performance measures are the life blood of economic units, since without them no decisions can be made. Financial performance measure is one of the important performance measures for economic units. Financial performance measures are used as the indicators to evaluate the success of economic units in achieving stated strategies, objectives and critical success factors (Katja, 2009).

However, the main objective of financial performance measuring is to determine the operating and financial characteristics and the efficiency and performance of economic unity management, as reflected in the financial records and reports (Amalendu p. 429, 2010). Financial ratio analysis method is an important measure to financial performance analysis in the economic units. Ratio analysis method is the most commonly used financial tool to evaluate the current and past performance in the economic unit and to assess its sustainability (Dick & Wang, 2000). It's the important analytical tools of finance, which provides managers with executives important insights regarding overhead cost structure, ability to raise capital, adequacy of working capital and contingency reserves, and efficient use of assets through the evaluation of a set of financial ratios, observations of trends in those ratios, and comparisons to average values for other companies in the industry, also this method it can be a productive starting point for assessing financial strengths and weaknesses, creditworthiness, and other attributes of a firm based on past performance (Rabo, p. 91, 2008). Ratio analysis helps to determine the performance of liquidity, profitability and solvency position of economic units and it provides all assistance to the management to fix responsibilities (Periasamy, 2005).

In recent time, the system of financial reporting is no more a choice as many banks look at it in the past but now a requirement throughout the world. This is as a result of decision making which becomes a daily affair of every investor. The quality of investment decisions made relies on the value of the essential information that forms the source of that investment decision making. (Popoola , Akinsanya, Babarinde, & Farinde 2014). Of enormous value is the information published by financial statements, which generally provides a synopsis of all the other activities of the organization. To be of significance to investors and decision makers, published financial statement is generally suggested to be comprehensive both in content and quality (Kaplan, & Roll, 2002); MacDonald & Koch, 2006). Sufficient guarantee has to be provided to make the information reliable and reduce uncertainty (Hung & Subramanyam, 2007).

It is the norm in the investment management industry today that financial analysts and investment managers tend to focus on financial statement ratios as measures of a company's performance, as a rule of the thumb, for investment decision making without evidence of the strength of these performance measures' relationship to subsequent yields of investments as depicted by future share price performance. The critical problem is therefore a generalization of the relationship of common financial statement ratios and future share price performance without research on the specific behavior of future share price to each performance measure for a particular company or industry sector on a particular share market, i.e. for example the assumption if a company's earnings per share are high, the company is doing well and the share price performance will do well in the short term (Mushure, 2014).

The two primary objectives of every business are profitability and solvency. Profitability is the ability of a business to make profit, while solvency is the ability of a business to pay debts as they come due (Hermanson, James & Michael, 1992). To take the right decision at the right time executives should know the financial position of the organization. Through financial information an executive can take imperative decision as and when they are required. For studying the financial health and having accurate financial information of a business, ratio analysis is being considered as the major tool at present. Bittel, Lester, Ronald, Burke & Lawrence, (1984) observed that one of the effective ways of providing information needed for decision-making is ratio analysis.

The subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since financial performance has implications to organization's health and ultimately its survival. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the country's economy at large (Naser & Mokhtar, 2004). In Nigeria, corporate failures and distresses have been witnessed as evidence by (Ekwe,

2013). This problem resulted in the establishment of Asset Management Company of Nigeria (AMCON) to rescue failed corporation as prevent further corporate failure (Central Bank of Nigeria, 2009).

This trend has now more than ever ensures that financial statements are sternly scrutinized. Investors, financial analysts and other users of accounting information tend to use their 'third' eye to scrutinize financial statements. This became necessary because audited financial statements, which used to provide assurance as to the healthy nature or otherwise of a firm has now, become an object of criticism due to manipulations done in these statements (Ekwe , 2013).

Also, most of the studies in Nigeria on financial performance merely focused on the oil and gas industries, other multinationals and banking industry with different stages of reforms. This is not surprising because their activities have major impact on the investment values and they believed to be making huge profits from their operations, ditto the MNEs.

The extent of the investment values to investor's in relation with other sectors of the economy is yet to be explored. However, stock market trading statistics shows that investors are attracted to banks shares supporting that banks are more profitable. Today in Nigeria, commercial banks are obligated a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions and to satisfying the legislating requirement tend to retain existing investors.

The need to determine whether there is significant difference on investment value of the manufacturing firms with that of commercial banks in Nigeria become critical and appeared apparent. On the basis of the foregoing, the study assess the comparative financial performance of manufacturing firms in relation with commercial banks so as to determine their significant different in relation to their investment values.

Objective of the Study

The main objective of this study is to assess the financial performance of manufacturing firms and commercial banks in Nigeria so as to determine which of them investment is friendly.

Specifically, the study intends to achieve the followings;

1. To ascertain whether there is significant difference in the profitability of manufacturing firms in Nigeria compared with commercial banks in Nigeria.
2. To compare the coverage ratios of the manufacturing firms and that of commercial banks to determine which one guarantees more stability of dividend.
3. To evaluate the debt ratios of manufacturing firms and that of commercial banks to determine which one relies more on external financing.

Formulation of Hypotheses

1. H_0 : There is no significant difference between the profitability of manufacturing firms and that of commercial banks in Nigeria.
2. H_0 : There is no significant difference in the coverage ratio of manufacturing firms and that of commercial banks in Nigeria.
3. H_0 : There is no significant difference in debt ratio of manufacturing firms and that of commercial banks in Nigeria.

REVIEW OF RELATED LITERATURE**CONCEPTUAL FRAMEWORK****Financial Performance**

There are several aspects of performance, each of which contributes to the overall performance in an organization. Despite the evolution of various available benchmarks and performance measurement, the answer to what is performance may still be hard to pin down. The banking sector aims for strong performance, but few banks worry about what constitutes such performance. The current run up of the stock market, at a time when corporate profits are fast declining, raises the question of whether or not banks are doing satisfactory good job for their shareholders (Ghouri & Khan, 2011).

Hansen and Mowen (2005), states that firm performance is very essential to management as it is an outcome which has been achieved by an individual or a group of individuals in an organization related to its authority and responsibility in achieving the goal legally, not against the law, and conforming to the morale and ethic. Performance is the function of the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage.

The main objective of financial performance measuring is to determine the operating and financial characteristics and the efficiency and performance of economic unity management, as reflected in the financial records and reports (Amalendu, 2010).

Akinsulire, (2008) and Pandey (2003) points out that no performance review is beyond dispute, for instance, reported profit is a matter of opinion. If income is to be measured in terms of the increase or decrease in the wealth of an enterprise, obviously some definitions of that stock of wealth is required. Akinsulire, (2008) and Pandey, (2003) measures wealth in three categories; as financial capital – the equity stake in an enterprise in money terms; real financial capital, the equity stake in an enterprise in real terms (the proprietary concept); operating capacity capital, the ability of the enterprise to maintain its ability to provide goods and services (the entity concept). Hunger and Wheelan (1997) suggest performance as the end result of activity and the appropriate measure selected to assess corporate performance is considered to depend on the type of organization to be evaluated and the objectives to be achieved through that evaluation.

In addition, measuring performance is very important because it builds on the results, make different decisions in economic units. According to (Benjalux, 2006) performance measures are the life blood of economic units, since without them no decisions can be made. Financial performance Measure is one of the important performance measures for economic units. Financial performance measures are used as the indicators to evaluate the success of economic units in achieving stated strategies, objectives and critical success factors (Katja, 2009).

Performance measurement is therefore the process whereby an organization establishes the parameters within which programmes, investments, outputs and acquisitions are reaching the desired results (Hunger and Wheelan, 1997). Hunger and Wheelan (1997) further explain that performance measurement involves ongoing data collection to determine if a program is implementing activities and achieving objectives, the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals (This is typically conducted by program or agency management) and a system for assessing performance of development interventions against stated goals. From the above, it could be affirmed that performance measurement is a measure or evaluation of achievement with predetermined or expected target of an organization. It can also be looked at as the process whereby a company establishes the parameters within which achievements, programmes, investments, outputs and acquisitions are reaching the desired results.

Investment Decision

It is the duty of every investor to utilize profitably the resources that have been placed at its disposal, and to carry out investment function many decisions have to be made.

Investment decision can be considered one of the most important decisions taken by investors, if not the most important one. The investment decision making process influence the investors affirmation in turbulent business environment and increase its market share (Martin, 2006). It concerns the issue of capital allocation for fixed assets or financial assets; central place returns to fixed assets, acquired as a result of capital investment. By this decision, financial resources at investors' disposal are allocated efficiently to acquire more market share. In addition, the available liquidities may be placed respecting the efficiency criteria on the capital market, to purchase financial assets (Zager, & Zager, 2006; Martin, 2006). In any case of the chosen alternatives, the investment decision ought to be subordinated to achieve the investment objectives at long-term. Bucataru (2002), explains in another that, investment decisions are those concerning the conversion of capital money in material form such as machinery, equipment, buildings, through operations of acquisition of these assets.

As postulated by Pandey (2005), investment decisions or analysis has to do with an efficient allocation of capital. It involves decision to commit the firm's funds to the long-term assets. Such decisions are of considerable importance to the firm since they tend to determine its value size by influencing its growths, profitability and risk.

Investment decision of a firm is one which is expected to produce benefits to the firm over a long period of time and it can pass both tangible and intangible assets (porter 1995). The investment decisions of a firm are generally known as the capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years. According to Canada and White is the series of decisions by individual economic units as to how much and where resources will be obtained and expected for future. Situation where capital expenditure decisions are made or taken, they are based primary with measurement of capital productivity which provides an objective means of measuring the economic worth of individual investment proposals in order to have a realistic basis for choosing among the firm's long run property (Pandey 2005). The long-term asset is those which affect the firms operation beyond the year period. The firm's investment decision would generally include expansion acquisition, modernization and replacements of the long-term assets. Sales of division or business divestment are also analyzed as an investment decision. Activities such as change in the methods of sales distribution or undertaking an advertisement campaign or a research and development programmes have long-term implications for the firms expenditures and benefits, and therefore, they may also be evaluated as investment decisions. It is important to note that investment in long-term assets invariably requires funds to be tied up in the current assets such as inventories and receivables, some of the features of investment decisions are as follows;

a) The exchange of current funds for future benefits

b) The funds are invested in long-term assets

c) The benefits will occur to the firm over a series of years

The two importance aspects of investment decisions are;

a) The evaluation of the prospective profitability of new investments.

b) The measurement of a cut-off rate against that the prospective return of new investment could be compared. (Amedu, 2012).

Future benefits of investment are difficult to measure and cannot be predicted with certainty. Risk in investment arises because of the uncertain returns. Investment proposals should therefore, be evaluated in terms of expected return and risk. Beside the decision to commit funds in new investment proposals, capital budgeting also involves replacement decisions that are decision of recommitting funds when an asset becomes less productive or non-profitable. The correct cut-off rate in investments is the opportunity cost of capital which is the expected rate of return that an investor could earn by investing in financial assets of equivalent risk.

In the long run, major investment projects are followed by significant equity under-performance. However, financing decisions importantly affect these long-run returns. Investments funded out of the firm's internal resources are followed by insignificant abnormal returns, contradicting the hypothesis that managers routinely over-invest in net operating assets. This is particularly surprising because managers are often said to have considerable autonomy over free cash flow. In sharp contrast with the first result, meanwhile the externally financed investments generate significant mean underperformance over the next year. This underperformance is greater for built investments than for acquisitions, and for any investment financed with debt. These results seem to challenge the conventional wisdom that debt serves as a disciplining device, or that outside monitors are most active when a firm is issuing new securities (Elsas, Flannery & Garfinkel, 2006).

It is significant to emphasize that expenditures and benefits of an investment should be measured in cash. In an investment analysis, it is cash flow which is important, not the accounting profit. It may also be pointed out that investment decisions affect the firm's value. The firm's value will increase if investments are profitable and add to the shareholder's wealth. These increases are reflected in the financial statement of the firm, which invariably are used as tool for investment decisions owing to certain analysis inherent in them (Amedu, 2012).

Banks Financial Performance

There are several aspects of performance, each of which contributes to the overall performance in an organization. Despite the evolution of various available benchmarks and performance measurement, the answer to what is performance may still be hard to pin down. The banking sector aims for strong performance, but few banks worry about what constitutes such performance. The current run up of the stock market, at a time when corporate profits are fast declining, raises the question of whether or not banks are doing satisfactory good job for their shareholders (Ghouri & Khan, 2011) in (Abubakar, 2014). Akinsulire (2008), points out that no performance review is beyond dispute, for instance, reported profit is a matter of opinion. If income is to be measured in terms of the increase or decrease in the wealth of an enterprise, obviously some definitions of that stock of wealth is required. Akinsulire (2008), measures wealth in three categories; as financial capital – the equity stake in an enterprise in money terms; real financial capital, the equity stake in an enterprise in real terms (the proprietary concept); operating capacity capital, the ability of the enterprise to maintain its ability to provide goods and services (the entity concept).

In banking industry, the regulatory authorities used common rating system, that is CAMEL to assess the performance of a bank for soundness or otherwise. However, the arrangement of CAMEL was criticized by Wirnkar and Tanko (2007) and suggested another acronym of CLEAM; however, this has not been tested either by the regulatory authorities or financial institutions. C is the test of capital adequacy; A is for the determination of the assets or loans and advances quality while M is for the assessment of management quality. The E is for the measurement of earning of the bank and the L stands for the test of liquidity ratio. The result if this rating system will confirm the condition of a bank. Evaluation of banks' financial performance using this rating system (CAMEL) by Adah (2012) revealed that the causes of banks problems in Nigeria are: gross under capitalization in relation to the level of bank operations and low earnings with huge operational losses. Others are high level of classified loans and advances, illiquidity reflected in the inability of the bank to meet customers' cash withdrawals and weak management (Ebhodagbe, 1995).

Evanoff and Fortier (1988) have adopted the common measures on banks' performance as return on assets (ROA). Other banks performance measures include return on equity (ROE) and bank stock price (Maiturare, 2004). But Evanoff and Fortier (1988) consider the use of ROE as an inappropriate tool for the measurement of banks' performance because banks can divide capital between debt and equity,

making the comparison of equity values across banks difficult. Besides, ROE may not be practicable since equity alone is negligible when considering it in terms of percentage in shareholders' funds in bank. This has rendered ROA as the most widely used banks' performance measure as suggested by (Evanoff & Fortier 1988). Business Week (April 9, 1984), and (April 8, 1985) also suggested that ROA is the single best performance measure for banks as cited in Rhoades (1987), but there is no justification for the assertion.

Another approach being considered today in measuring the performance of banks is the adoption mainly of the non-parametric approaches. A non-parametric approach called the data envelopment analysis (DEA) has been extensively used in measuring efficiency and production changes in Nigerian banks. For instance, Tanko (2006) and Magaji (2009) in Abubakar (2014) adopted the DEA to measure the performance of Nigerian deposits money banks. The performance of firms can be measured in terms of their productive (cost and output) efficiency and allocative efficiency (market power). To measure efficiency, input and output have to be compared with each other and researchers of banking markets face the problems of how to define the inputs and output process. This explains why no techniques have been accepted and thus has brought considerable differences in the measurement of efficiency.

The profit is the bottom line as all other performance measurements are measured by the returns in the form of what they can contribute to the overall profitability of the banking business. Adah (2012) measured banks' performance as proxied by deposits, liquidity, loans and advances and profit. However, other performance measurement in banks may include: customers satisfaction, assets base and size, branch network, budget achievement and CBN and NDIC assessment.

Ratios analysis

All the performance measurements adopted by the previous researchers were centered on one or two measures, that is, profitability/ROE and ROA. However, ROE, usually will not give the fair/expected result because the shareholders' fund is always mistakenly or intentionally treated as equity (E) in banking. Besides, the multiple criteria used by CBN totally ignored profitability. The omission or ignoring profitability as performance measurement by the regulatory authority – CBN is fundamental.

1. Profitability Ratios:

These ratios are used to assess ability of a business to earn profit in comparison with all its expenses during a specific time period. Generally, accounting profit is the difference between revenue and cost (Ross, Westerfield & Jaffe 2005). If these ratios are higher than competitors, industry averages or previous years' ratio then it can be considered that firm is performing profitably. Following profitability ratios are used in this research.

Return on Assets (ROA): ROA gives profitability on assets of the firm after meeting all expenses and taxes. It measures the profit of the firm after tax for each dollar invested in assets (Horne & Wachowicz 2005). It is indicator of managerial performance. So, higher value of this ratio means better managerial performance (Ross, Westerfield & Jaffe 2005). ROA can be increased by increasing profit margin or asset turnover. $ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$

Return on Equity (ROE): Return on equity represents profitability of shareholders of the firm after meeting all expenses and taxes (Horne & Wachowicz 2005). ROE is net earning per dollar equity capital. Higher ROE means better managerial performance. But higher ROE can be due to financial leverage. So higher levered firms have higher ROE which increases risk too (Ross, Westerfield & Jaffe 2005). Usually ROE is higher for high growth companies. $ROE = \frac{\text{Net Profit}}{\text{Shareholders' Equity}}$

Yield on Earning Assets (YOE): This ratio represents earning percentage of earning assets. Higher the ratio, higher is return of bank to earning assets. This ratio can be used as proxy of net interest margin. $YOE = \frac{\text{Net Interest Income}}{\text{Earning Assets}}$

2. Liquidity Ratios: Liquidity ratios measure ability of the firm to meet its short-term (less than a year) obligations and reveal short-term financial strength and weakness (Ross, Westerfield & Jaffe 2005). Higher liquidity ratio means bank has higher margin of safety and ability to meet its short-term obligations. Saving accounts and transactions deposits can be withdrawn at any time and bank faces liquidity problem when withdrawal exceeds new deposits over a short period of time (Samad & Hassan 2000). Following liquidity ratios are used.

Cash to Deposit Ratio (CDR): This ratio measures cash holding by commercial banks. Cash is most liquid asset in banks. The purpose of this holding is to meet demands of withdrawal from depositors. It is important in maintaining customer trust. But on the other hand, it reduces opportunity to earn income from cash. $CDR = \text{Total Cash Holdings} / \text{Total Deposits}$

Loan to Deposit Ratio (LDR): Loan to deposit ratio is an important indicator of liquidity position of the bank. Loans means advances for conventional banks. Bank with lower LDR is considered to have excessive liquidity, potentially lower profit and hence less risk as compared to bank of higher LDR. $LDR = \text{Loans} / \text{Total Deposits}$

- a. **Loan to Asset Ratio (LAR):** It is another important measure of liquidity position of the bank. LAR measures liquidity of bank in terms of its assets. Higher the ratio, less liquid is the bank. $LAR = \text{Loans} / \text{Total assets}$.

3. Solvency and Risk Ratios:

These ratios are also called financial gearing, debt or financial leverage ratios. These ratios measure risk and solvency of firms by determining how much the firm depends on debt financing rather than equity capital. These ratios determine the probability that the firm default on its debts. Greater the debts, greater is the probability that the firm will become unable to fulfill its contractual obligations leading to bankruptcy and financial distress. Although debt is important source of financing and provide significant tax advantage but it may create conflict of interest between debtors and shareholders (Ross, Westerfield & Jaffe 2005). If amount of assets held by a firm is greater than all types of liabilities then firm is considered solvent. Following ratios are used to measure solvency.

a. Debt-Equity Ratio (DER):

This ratio measures the extent to which a firm uses debts. It measures ability of a firm to absorb financial shock. If creditor of the bank defaults in paying back loans or assets value decreases, bank capital provide shield against those loan losses. A bank with lower DER is considered better than bank with higher DER. $DER = \text{Total Debt} / \text{Shareholders' Equity}$.

Debt to Total Assets Ratio (DTAR): It measures amount of debts the firm uses in financing its total assets. It is indicator of financial strength of the bank and gives information about solvency of the bank. Higher DTAR means that bank uses more debt financing than equity capital which leads to risky situation. $DTAR = \text{Total Debt} / \text{Total Assets}$.

Equity Multiplier (EM): It indicates amount of assets per dollar of shareholders' equity. Higher value of it shows that bank has used more debts to convert into assets with share capital. Higher value of EM leads to risky situation. $EM = \text{Total Assets} / \text{Shareholders' Equity}$

THEORETICAL FRAMEWORKS

The Pecking Order Theory

The pecking order theory does not take an optimal capital structure as a starting point, but instead asserts the empirical fact that firms show a distinct preference for using internal finance (as retained earnings or excess liquid assets) over external finance. If internal funds are not enough to finance investment opportunities, firms may or may not acquire external financing, and if they do, they will

choose among the different external finance sources in such a way as to minimize additional costs of asymmetric information. The latter costs basically reflect the "lemon premium" (Akerlof, 1970) that outside investors ask for the risk of failure for the average firm in the market. The resulting pecking order of financing is as follows: internally generated funds first, followed by respectively low-risk debt financing and share financing.

In Myers and Majluf model (1984), outside investors rationally discount the firm's stock price when managers issue equity instead of riskless debt. To avoid this discount, managers avoid equity whenever possible. The Myers and Majluf model predicts that managers will follow a pecking order, using up internal funds first, then using up risky debt, and finally resorting to equity. In the absence of investment opportunities, firms retain profits and build up financial slack to avoid having to raise external finance in the future.

The pecking order theory regards the market-to-book ratio as a measure of investment opportunities. With this interpretation in mind, both Myers (1984) and Fama and French (2000) note that a contemporaneous relationship between the market-to-book ratio and capital structure is difficult to reconcile with the static pecking order model. Iteration of the static version also suggests that periods of high investment opportunities will tend to push leverage higher toward a debt capacity.

This study anchored on the pecking order theory as a better predictor, hence the theory suggests that periods of high investment opportunities will tend to push leverage higher toward a debt capacity as well regards the market-to-book ratio as a measure of investment opportunities, these is an eye opener for the investors to rationally discount the firm's stock price when managers issue equity instead of riskless debt.

EMPIRICAL REVIEW

Quite number of studies had investigated on the issues concerning financial performance and investment decision using financial statement of different sector of the economy, the study of Popoola, Akinsanya, Babarinde & Farinde (2014) on Published Financial Statement as a Correlate of Investment Decision among Commercial Bank Stakeholders in Nigeria. A correlation research design was used in the study. 180 users of published financial statement were purposively sampled from Lagos and Ibadan. Data generated were analyzed using Pearson correlation and regression. The findings of the study revealed that, balance sheet is negatively related with investment decision ($r = -.483$; $p < .01$) while income statement ($r = .249$; $p < .001$), notes on the account ($r = .230$; $p < .001$), cash flow statement ($r = .202$; $p < .001$), value added statement ($r = .328$; $p < .001$) and five-year financial summary ($r = .191$; $p < .01$) are positively related with investment decision. Findings also revealed that components of published financial statement significantly predicted good investment decision ($R^2 = .983$; $F(5,175) = 284.5$; $p < .05$) for commercial bank stakeholders.

Osuala, Ugwumba and Osuji (2012) empirically investigate the effect of information content of financial statements on shareholders' investment decisions. The study is vital as it portrays the extent to which shareholders of firms listed on the Nigerian Stock Exchanged (NSE) are influenced by the contents of published accounts in their investment decisions. In order to determine the relationship between information contents of financial statements and shareholders' investment decisions, some of the key contents of financial statement were used to derive the proxy variables used in the study, namely profitability, dividend per share, earnings per share, leverage, and liquidity; while shareholders' investment decisions is represented by change in number of shares. Data for the study were obtained from the published annual financial report of the selected firms. Regression model was employed to establish the relationship between the variables. The findings generally indicate that shareholders in the Nigerian capital market do not rely much on financial statements as a major determining factor for their investment decisions. It was observed that other factors or variables outside firms' annual reports such

as regularity of dividend payment and market price of shares are vital to shareholders their investment decisions.

On the study of Iwu-Egwuonwu (2011) on Corporate Reputation & Firm Performance: Empirical Literature Evidence. This work is a review of empirical studies on corporate reputation with emphasis on how it can help organizations achieve strong competitive advantage, enhance stock market performance as well as performance values on other measures. It reveals that cultivating a strong reputation is a necessary foundation for today's firms that intend to beat the competition, enhance their market outlook and financial performance as well as sustained existence.

In a related study by Puja and Padma, (2013) on Ratio Analysis is an Instrument – for Decision Making. The study examines the financial statement of TCS and find out the impact of ratio analysis on decision making. To fulfill the objectives of the study and to make a detailed evaluation of financial status, the case study method has been adopted. For the present study ratios and comparative statement analysis are the tools selected. The study thereby concluded that Practical applications of ratio analysis require the comparisons of a firm's financial ratios to some norms, or pre specified benchmarks.

Love and Zicchino (2006) applied vector auto regression to firm level panel data from 36 countries. They argued that by using orthogonal zed impulse response functions they were able to separate the 'fundamental factors' (such as marginal profitability of investment) from the financial factors (such as availability of internal finance) that influence the level of investment. They found that the impact of the financial factors on investment, which they interpreted as evidence of financing constraints, is significantly larger in countries with less developed financial systems.

In a bid to identify the institutional factors that affect investment constraints, Becker and Sivadasen (2006), investigated financing constraints in a large cross-country data set covering most of Europe. They found a strongly positive coefficient on the cash flow, suggesting the presence of financial constraints. Their results also showed that the cash flow sensitivity of investment is lower in countries with better finance, thus, suggesting that investment is less likely to be constrained in countries with better financial development. They found this effect to be weaker in conglomerate subsidiaries, which are likely to have access to internal capital markets and depend less on external financing.

Adelegan (2006) evaluated the impact of capital market imperfections on investment behaviour of productive sector firms in Nigeria between 1984 and 2000. The study adopted a model based on Tobin's q theory and employed the OLS and instrumental variable techniques to estimate the model. Their results revealed that the Nigerian capital market is imperfect and that bigger and older firms rely more on internal funds compared to smaller and newer firms. Their switching regression analysis showed that an increase in both future profit prospects measured by Tobin's q and cash flow result in an increase in corporate investments of firms that have low credit worthiness. The conclusion emerges that the incidence and severity of information and agency problems vary across firms and over time, thereby having different effects on investment behaviour. The implication is that capital market imperfections lead to binding financial constraints on corporate investment behavior in Nigeria.

Akinmulegun (2012) in his paper the Effect of Financial Leverage on Corporate Performance of Some Selected Companies in Nigeria empirically examines the effect of financial leverage on selected indicators of corporate performance in Nigeria". Leverage therefore significantly affects corporate performance in Nigeria. Other detailed objectives are to: Examine the impact of leverage on the earnings per share and net assets per share of corporate firms in Nigeria. The econometric findings presented in this study evidence that leverage shocks (debt/ equity ratio) have significant effect on corporate performance especially when the net assets per share (NAPS) is used as an indicator of corporate performance in Nigeria over the period covered by the study.

Rajin (2012) investigates the influence of financial leverage on shareholders return and market capitalization, evidence of telecommunication sector companies in India. He find out that the nature of relationship and the state of influence of the financial leverage on shareholder's return and market

capitalization individually indicates positive relationship between financial leverage and shareholder return but negative relationship between financial leverage and market capitalization.

Ekwe (2013), investigated on the degree of reliance of the published financial statements by corporate investors. The study employed survey research design by which data were generated by means of questionnaire administered on one hundred and fifty corporate investors and senior management officials of the selected banks. The descriptive statistics and percentage analysis were used for the data analysis and the hypotheses were tested using t-test statistic. The statistical package for social sciences (SPSS) software version 17.0 was employed in the analysis of data and test of hypotheses. The results reveal that one of the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor or financial It hereby concludes that the ability of the investors to read and understand the financial report determines the degree of impact the published annual report will have on the investor's investment decision making.

Udonsah (2011) focus on the impact of interest rate on investment decision in Nigeria. An econometric analysis between the periods of 1981-2010. Secondary data obtained from the central bank of Nigeria (CBN) statistical bulletin (volume 21) DEC 2010. Data was collected and empirical analysis made. To achieve these objective multiple regression was used in analyzing the data that the impact of interest rate on Nigeria prior to interest rate regulation in 1.986 and serve as guide to how interest rate can be fixed to enhance effective accumulation of savings that can channel to investment. Policy recommendation Government should in massively embarks on large-scale agriculture, manufacturing industrialization e.t.c and equally encourages small and medium scale enterprise (SMES).

Afolabi,(2013) critically analyzes the effect of financial reporting on effective management decision making process in Nigeria using ten randomly selected manufacturing firms in Nigeria. The motivation of the study stem from the concurrent incidence of manufacturing firms filling bankruptcy, exiting out of the industry, insolvency, liquidation, improper accounting statement disclosure and in-transparency, noncompliance to ethics and accounting standards in the entire manufacturing sector. The study surveyed 50 accounts, investment and financial analysts/ managers within the sector for obtaining required data for analysis using a well-structured questionnaire. The study test the research hypothesis using analysis of variance (ANOVA) and the results revealed that financial reporting disclosure, corporate fraud and scandals, and financial reporting transparency have significant influence on effective management decision making related to investment in quoted manufacturing firms in Nigeria.

Summary

Empirical studies on this area of interest have been on the increase (Norton 1992, Canning, Fay and Perotti, 1994; Cohen, 1992, Greestein and Spiller, 1995, Nadiri and Nandi, 1997; Wang, 1999; Yilmaz, Hayne & Dinc, 2002; Bezmen and Depken, 2003; Alleman, Hunt, Michaels, Rappoport & Taylor, 2004; Posu, 2006 and Osotimehin, Akinkoye, & Olasanmi, 2010). Most of these studies find a positive and significant causal link between telecommunication infrastructure and aggregate output.

However, there are a number of limitations. there have been few corresponding studies from developing countries especially those in Africa whose economies are vulnerable to disruption associated with gross inadequacy of infrastructure service.

Secondly, their results do not provide a complete picture of the impact of financial market development on the investment behavior of firms in Nigeria. Most of these studies emphasized on Nigerian Commercial banks or any other sector to determine which one should be attractive for investment value. Meanwhile it apparent for this study to fill this gap by comparing Nigerian manufacturing firms and Commercial banks to determine which one is more investment value.

METHODOLOGY**RESEARCH DESIGN**

Due to the nature of the study, ex-post facto and time series data were employed. The study analyzed the audited accounts of commercial banks and manufacturing firms. This involves use of financial accounts of these organizations under assessment from the 2010 to 2014 to generate the financial analysis that discriminated the most in prediction of the investment value of these two sectors.

POPULATION OF THE STUDY

The accessible population for the study consists of seven Nigerian food manufacturing firms and twenty one commercial banks in Nigeria.

The researcher used Stratified Random Sampling to select five food production firms and five commercial banks in order to give the two sectors equal representative in the study. The five (5) food production firms with five (5) commercial banks selected due to non-availability of annual accounts of the two food production companies from 2010 to 2014 (Big treat Nigerian plc and UTC Nigerian Plc.

Table 3.3.1: Selected Population of food production firms and Commercial Banks.

S/N	Food production Firms	Commercial Banks
1	Honeywell flourmill Nigeria	Access bank plc
2	UAC Nigeria plc.	Diamond bank plc
3	Nestle Nigeria plc,	First bank plc
4	Dangote sugar Nigeria plc	Zenith bank plc
5	Dangote flour Nigeria plc,	GTB plc

Data were collected from only secondary sources. This data obtained from the Annual report and accounts of the corporate organizations under assessment. The data extracted were those of the discriminating variables that include:

A. Profitability:

2. Return on Equity (ROE):
3. Profit Margin (PM):

B. Dividend Cover

1. EPS
2. DPS

C. Long Term Leverage Ratio:

1. Debt-Equity Ratio (DER):
2. Debt to Total Assets Ratio (DTAR):
3. Equity Multiplier (EM):

METHOD OF DATA ANALYSIS

In analyzing the data collected, the key financial ratios on profitability, coverage, debt and activity were extracted from six years annual reports and accounts and tested with the t-test statistical tool to determine whether there is significance differences in investment values of manufacturing firms and commercial banks in Nigeria. This was done with the aids of Statistical Package for Social Sciences (SPSS) version 20.0 software packages.

Decision rule:

Using SPSS, 5% is considered a normal significance level. The acceptance or rejection criterion was based on the computed mean value and confidence interval of the difference.

DATA PRESENTATION AND ANALYSIS**Data Analysis (see appendix)****1. Computed data for Banks profitability ratios**

UBA	2014	2013	2012	2011	2010
Return on equity	0.199	0.197	0.210	-0.219	0.020
Profit margin	0.246	0.231	0.260	-0.264	0.023
Return on assets	0.020	0.014	0.025	-0.010	0.002
GT Bank					
Return on equity	0.299	0.305	0.348	0.265	0.210
Profit margin	0.613	0.414	0.490	0.360	0.406
Return on assets	0.044	0.045	0.053	0.032	0.034
Zenith Bank Plc					
Return on equity	0.210	0.199	0.215	0.142	0.122
Profit margin	0.290	0.302	0.365	0.264	0.271
Return on assets	0.027	0.029	0.129	0.017	0.019
Access bank					
Return on equity	0.168	0.128	0.156	0.021	0.097
Profit margin	0.208	0.174	0.205	0.166	0.223
Return on assets	0.020	0.015	0.024	0.014	0.018
Diamond bank					
Return on equity	0.044	0.240	0.252	-0.295	0.081
Profit margin	0.048	0.198	0.210	-0.306	0.11
Return on assets	0.005	0.022	0.020	0.031	0.012
Total	2.441	2.513	2.962	0.218	1.648
Manufacturing firms	2014	2013	2012	2011	2010
Holley well Flour					
Return on equity	0.066	-0.511	-0.188	0.052	0.207
Profit margin	0.051	-0.278	-0.143	0.036	0.128
Return on assets	0.016	-0.110	-0.053	0.011	0.062
Dangote Flour					
Return on equity	0.453	0.302	-0.073	0.052	0.207
Profit margin	0.254	0.373	-0.183	0.036	0.128
Return on assets	0.149	0.049	0.017	0.004	0.115
Dangote Sugar					
Return on equity	0.296	0.322	0.353	0.279	0.413
Profit margin	0.186	0.215	0.153	0.102	0.179

Return on assets	0.125	0.133	0.130	0.102	0.262
Nestle Nigeria					
Return on equity	0.680	0.194	0.732	0.784	1.227
Profit margin	0.171	0.135	0.215	0.186	0.221
Return on assets	0.112	0.087	0.238	0.212	0.209
UAC					
Return on equity	0.249	0.369	0.311	0.218	0.241
Profit margin	5.751	6.907	0.166	0.129	0.135
Return on assets	0.163	0.260	0.059	0.057	0.056
Total	8.722	8.447	1.734	2.260	3.790

Source: Banks and Manufacturing firm's annual reports and accounts.

2. Data presentation for Dividend Cover ratios

Banks	2014	2013	2012	2011	2010
UBA Plc	12.2	3.22	2.88	–	0.16
GT Bank Plc	6.34	0.022	3.412	2.082	2.2
Zenith Bank Plc	1.686	1.52	1.906	1.389	1.212
Access bank	2.32	1.9	1.99	1.52	1.44
Diamond bank	0.64	2.58	2.12	0.9	-0.68
Total	23.186	9.242	12.308	5.891	4.332
Manufacturing Firms					
	2014	2013	2012	2011	2010
Holley well flour					
Dangote flour	-	-157.13	28.21	124.70	3.75
Dangote Sugar	3.30	2.52	1.80	1.97	1.57
Nestle Nigeria	0.26	1.45	2.13	2.01	1.52
UAC	1.29	2.12	1.71	0.34	0.77
Total	4.850	-151.040	22.570	129.020	7.610

Source: Banks and food production firms firm's annual reports and accounts.

3. Data presentation for Long-Term solvency ratios

UBA	2014	2013	2012	2011	2010
Debt-equity	7.296	10.657	7.254	7.595	6.184
Equity Multiplier	8.296	11.678	8.774	7.595	7.631
Measure of Assets by Creditor	0.879	0.913	0.827	0.780	0.810
GT Bank					
Debt-equity	4.777	5.327	4.623	5.450	4.198
Equity Multiplier	5.777	6.327	5.623	6.874	0.530
Measure of Assets by Creditor	0.740	0.842	0.822	0.793	0.792
Zenith Bank Plc					
Debt-equity	5.678	5.091	4.563	4.913	4.027
Equity Multiplier	6.678	6.091	4.952	5.971	5.107
Measure of Assets by Creditor	0.850	0.836	0.922	0.823	0.789
Access bank					
Debt-equity	6.229	5.950	4.976	3.933	2.859
Equity Multiplier	7.229	6.950	6.379	5.090	3.983
Measure of Assets by Creditor	0.862	0.856	0.780	0.078	0.717
Diamond bank					
Debt-equity	7.510	8.797	9.363	6.221	3.450
Equity Multiplier	8.510	9.797	10.823	7.814	4.692
Measure of Assets by Creditor	0.882	0.898	0.908	0.796	0.735
Total	72.193	81.010	71.589	64.726	46.504
Manufacturing firms					
Holley well flour	2014	2013	2012	2011	2010
Debt-equity	0.046	0.224	0.871	0.731	0.962
Equity Multiplier	3.344	1.224	1.871	1.731	1.962
Measure of Assets by Creditor	0.014	0.183	0.465	0.422	0.490
Dangote Flour					
Debt-equity	5.936	2.361	1.539	1.487	1.121
Equity Multiplier	1.991	4.155	3.195	2.671	1.228
Measure of Assets by Creditor	2.982	0.568	0.482	0.557	0.913
Dangote Sugar					
Debt-equity	0.751	0.646	0.795	0.658	0.471
Equity Multiplier	1.798	1.646	1.795	1.750	1.523

Measure of Assets by Creditor	0.418	0.393	0.443	0.376	0.309
Nestle Nigeria					
Debt-equity	1.713	0.878	1.602	2.349	3.060
Equity Multiplier	2.951	1.878	2.602	3.349	4.06
Measure of Assets by Creditor	0.580	0.467	0.616	0.701	0.754
UAC					
Debt-equity	0.235	0.224	0.210	0.271	0.230
Equity Multiplier	1.235	1.224	1.871	1.731	1.962
Measure of Assets by Creditor	0.190	0.183	0.112	0.156	0.117
Total	24.184	16.254	18.469	18.940	19.162

Source: Banks and manufacturing firm's annual reports and accounts.

TEST OF HYPOTHESES

Hypothesis one

H₀: There is no significant difference between the profitability of manufacturing firms and that of commercial banks in Nigeria.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Manufacturing firms	5	4.98980	3.368945	1.506638
Commercial banks	5	1.95620	1.079061	.482571

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Manufacturing firms profit	3.312	4	.030	4.989800	.80670	9.17290
Commercial banks profit	4.054	4	.015	1.956200	.61637	3.29603

In the above, the mean of manufacturing firm profitability is 4.99 while that of bank's profitability is 1.96. In this case the mean of manufacturing firm is higher than that of bank. Looking at the confidence interval of the difference, Banks has lower value of .62 and 3.30 upper value while the manufacturing firm has 81 and 9.17 respectively. This however is an indication that manufacturing firm is more

profitable than bank. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a significant difference between the profitability of manufacturing firms with that of commercial banks in Nigeria.

Hypothesis Two

H₀: There is no significant difference in the dividend sustainability of manufacturing firms and that of commercial banks in Nigeria.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Manufacturing firms Div. Cover	5	63.01800	71.052340	31.775572
Commercial banks Div. Cover	5	10.99120	7.481860	3.345989

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Manufacturing firms Div. Cover	1.983	4	.118	63.018000	-25.20513	151.24113
Commercial banks Div. Cover	3.285	4	.030	10.991200	1.70124	20.28116

In the above, the mean of manufacturing firm dividend cover is 63.02 while that of bank profitability is 10.99. In this case the mean of manufacturing is higher than that of bank. Looking at the confidence interval of the difference, manufacturing firms has lower value of -25.21 and 151.24 upper values while Bank has 1.70 and 20.28 respectively. This however is an indication that manufacturing firms have higher dividend cover than Banks. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a significant difference in the dividend sustainability of manufacturing firms and that of commercial banks in Nigeria.

Hypothesis Three

H₀: There is no significant difference in the reliance on external financing of manufacturing firms and that of commercial banks in Nigeria.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Manufacturing firms Long-Term Debt	5	19.40160	2.911961	1.302268
Commercial banks Long-Term Debt	5	67.20460	12.937436	5.785797

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Manufacturing firms Long-Term Debt	14.898	4	.000	19.401600	15.78592	23.01728
Commercial banks Long-Term Debt	11.615	4	.000	67.204600	51.14065	83.26855

In the above, the mean of manufacturing firm solvency is 19.40 while that of bank profitability is 67.20. In this case the mean of manufacturing firm is lower than that of bank. Looking at the confidence interval of the difference, Banks has lower value of 51.14 and 83.27 upper value while the manufacturing firm has 15.79 and 23.12 respectively. This however is an indication that bank has higher liquidity value than manufacturing firm. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a significant difference in the reliance on external financing of manufacturing firms and that of commercial banks in Nigeria.

DISCUSSION OF FINDINGS

In the four hypotheses tested, hypotheses one and two results shows that manufacturing firms are more profitable with high dividend cover than commercial banks. On the other hands hypothesis three results indicates that commercial banks have high long term solvency. That is their reliance on external financing is higher than manufacturing firms in Nigeria.

This finding was in agreement with Raza (2013), whose results shows that there is a negative relation between performance and leverage, that Long term debt is more expensive due to certain direct and indirect costs, therefore employing high level of debt results to low profitability. That is the case between banks and manufacturing firms. Others are Roller and Wavernman (2001) who found a statistically positive relationship between economic growth and telecom investment. The conclusion therefore is that in order to ensure that leverage financing leads to desired outcome business organizations must established their optimum level as well as strike a strategic balance with associated financing risk and returns to owners of the firm.

SUMMARY OF FINDINGS

Based on the data collected for the study and analysis made, the following findings were drawn;

1. There is a significant difference between the profitability of manufacturing firms and that of commercial banks in Nigeria.
2. There is a significant difference in the dividend sustainability of manufacturing firms and that of commercial banks in Nigeria.
3. There is a significant difference in the reliance on external financing of manufacturing firms and that of commercial banks in Nigeria.

CONCLUSIONS

Financial statement plays a vital role in investment decision making; for instance, where companies invest hundreds of billions of naira every year in fixed assets. By their nature, these investment decisions have the potential to affect the firm's fortunes over several years. For a good decision can boost earning sharply and dramatically increase the value of the firm.

This study however, assesses the financial performance of manufacturing firm so as to determine whether their investment value is comparable with firms in the banking sector. This study has found that manufacturing is more profitable with higher dividend cover than bank. In other words, bank has more liquidity value with high efficiency than manufacturing firms.

In this case manufacturing firms has high investment value than bank because manufacturing firm is not a deposit organization and such not to maintain high liquidity, Which means that if bank want to maintain optimum profitability, they will invest all their funds in long-Term assets.

Also because of the nature of bank transactions and obligations they owned their customer and since they are under obligation by CBN to maintain customer's withdrawal, they maintain high liquidity and efficiency.

Conclusively, It shows that the more solvency organization is the less its profitability. So, manufacturing firm has more return on investment, only the investor who is liquidity conscious will invest in bank.

RECOMMENDATIONS

Based on the result from the analysis, the researcher made the following recommendations;

1. These should be prompt provision of the financial statement at the end of each financial year.
2. Investment decision should only be taken from the outcome of financial analysis as bedrock and a guide for the investors; hence investment decisions on a company should be taken without the consideration of a company's financial performance and investment value.
3. Corporate organizations should adhere to the demand of subjecting their financial statements to statutory audit as a way of authenticating their contents and all material fact is reflected in order to ensure that investors are not misled.

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