Original Research Article

IMPACT OF ACCOUNTING INFORMATION ON BANK LENDING DECISIONS: A CASE STUDY OF FIRST BANK, BWARI AREA COUNCIL, ABUJA

ABSTRACT

This study seeks to ascertain impact of accounting information on bank lending decisions: a case study of First Bank, Bwari Area Council, Abuja. The study used primary data over a period of one year (2015). The questionnaire focuses on the core staff, contract staff and other staff of First Bank in Bwari Area Council, Abuja. We administered forty (40) questionnaires to respondents of the bank but the total respondents used for this study was thirty-two (32). Simple percentage was used to draw conclusions on the researcher's questions while Chi – Square was employed in testing the hypothesis through the use of SPSS software package. From the investigation, we discovered that accounting information received from loan applicants significantly influence First Bank's lending decision among others. We therefore recommended that banks must employ well trained analysts in the profession, who will be responsible for analyzing each customer's financial statements for proper interpretation strictly based on merit and also advocate the need to monitor the affairs of any successful loan applicant to ensure that the progress of the project is on course and the loan is not diverted.

Keywords: Accounting Information; Bank Lending decisions; loan applicants; First Bank.

Background to the Study

One attribute which can distinguish banks from different economic associations is the relationships between the bank and its debtors. These firm-lender relationships can aid resolve market disasters and hence provide a function for banks. This study describes the theoretical function of lending relationships (selections) in between banks and debtors via enough accounting expertise. Relationships can generate priceless knowledge as good as to be used to constrain debtors. Lending selections must be most priceless the place the expertise about a firm and its knowledge funding opportunities are most specific. Financial associations play the position of money management on investments and borrowing. The monetary atmosphere is a dynamic one, so business banks must plan for them to survive. They require enough accounting expertise for the reason of operating their trade efficaciously considering the fact that their profitability is dependent mainly on the amount of loans and advances granted to acquire a good recovery and higher profitability. From loans granted through them, certain factors should be considered in lending which influence the lending determination and support the bank in monitoring growth after such advances have been made. The services which First Bank %and other banks lengthen to consumers comprise overdrafts, loans, bill negotiations, bill discounting, guarantees, letters of credit and issuing of credit services. Business banks by means of their lending hobbies can create financial fluctuations through uncontrolled credit expansion and contraction to the government. The valuable financial institution of Nigeria by means of accounting expertise and recommendations control credit policy within

45 the banking system. Lending without any guiding principle could threaten the solvency of the banks and
46 continually result in financial institution disasters. Lending in First Bank %has been guided via the First
47 Bank percent recommendations, financial policy and circulars from the relevant bank of Nigeria (CBN).
48 Accounting know-how helps customers to make higher financial expertise selections. Customers of
49 accounting know-how maybe each inside and outside to the institution. This can be a constitution that a
50 trade makes use of to gather, retailer, manipulate, method, retrieve and file its fiscal information so that it
51 may be utilized by accountants, consultants, business analysts , chief financial officers and tax
52 businesses. An accounting expertise method is ordinarily a pc- headquartered approach of tackling
53 accounting activity together with know-how technology assets. This approach entails gathering, storing
54 and processing financial and accounting knowledge that's utilized by choice makers. The know-how
55 amassed through the everyday transactions, income and purchases daybook, shoppers' advances
56 ledgers are all accounting information. There have been colors and cries involving the lending resolution
57 being adopted through commercial banks. This study work for these reason objectives at ascertaining the
58 effect of accounting expertise on bank lending decisions taking distinct reference to First Bank institution
59 PLC.

60   1.2   Statement of the Problem

61 Accounting information is essential in settling on loaning choice as the credit value would be resolved and
62 default diminished. Throughout the years, Nigerian banks have been looked with the issue of insufficient
63 bookkeeping data especially as it influences borrowers (clients). Deficient data on the monetary status of
64 clients is a portion of the issues bank face in their loaning choice.

65 The extent to which accounting information impact on bank lending decision is however not clear in the

66 face of bank having recurring default on loans and non-performing loans from customers. Hence we seek

67 to investigate the impact of accounting information on bank lending decision in Nigeria.

68   1.3   Objective of the Study

69 The purpose of this study is as follows:

70 1.   To investigate the impact of accounting information in lending decisions of First Bank Plc, Nigeria.

71 2.   To examine the impact of accounting information in reducing the incidence of bad debts.

72 3.   To determine the extent to which the customer's financial statements affects bank lending

73   decisions.

74 4.   To ascertain how accounting information can be useful in dealing with fraudulent practices.

75   1.4   Research Questions

76 In order to achieve the objectives of the study, few major questions are addressed.

77 i.   What are the essentials of accounting information in bank lending decisions?

78 ii.   What is the effect of adequate use of accounting information in reducing the incidence of bad

79   debts?

80   iii.   To what extent does a customer's financial statements affects bank lending decisions?

81   **1.5   Research Hypotheses**

82   The following hypotheses have been formulated for the purpose of this study.

83   H_1:   The accounting information received from loan applicants does not significantly influence First

84   Bank's lending decisions.

85   H_2:   Adequate accounting information does not help in reducing the incidence of bad debts.

86   H_3:   Information about a customer's financial statements does not affect bank lending decisions.

87   1.6   Scope of the Study

88   The researcher tends to limit the scope of study to First Bank, Bwari Area Council, Abuja to enable him

89   carry out a proper assessment. The research is however carried out within a period of one year.

90   **LITERATURE REVIEW**

91   **2.2 Conceptual Framework**

92   The Concept of Accounting Information

93   An Accounting Information System (AIS) is a structure that a business uses to collect, store, manage,

94   process, retrieve and report its financial data so that it can be used by accountants, consultants, business

95   analysis, managers, chief financial officers (CFOS), auditors, regulatory and tax agencies. For the

96   purpose of this research, the researcher may only concern the study with the granting of loans and

97   advance as this is a very important aspect banks could agree to grant loan to customers, certain

98   conditions must be met and one of them is the presentation of firms or clients accounting information

99   showing the financial position of the business.

100   It depends on this that the scientist needs to discover what this bookkeeping data is about. Ambros

101   (2009) characterized bookkeeping as the way toward recognizing, estimating and imparting monetary and

102   money related data to allow educated judgment and choice by clients regarding the data. Diminish (2004)

103   characterized bookkeeping as a procedure of gathering, recording, introducing, examination/deciphering

104   money related data for the clients of budget reports. Marshall and John (2009) characterized data as an

105   information that have been composed and prepared to give significance to clients. When in doubt, clients

106   can settle on better choices as the amount and nature of data increment. Luciano (2010) Information can

107   be recorded as signs, or transmitted as signs. Data is any sort of occasion that influences the condition of

108   a dynamic framework that can derive the data. Marshal and John (2009) in their own <u>compose – up</u>

109   alludes to bookkeeping data as a framework that gathers, records, stores and <u>procedures</u> information to

110   deliver data for leaders. Romney (2009) opined bookkeeping data framework as the gathering, stockpiling

111   and handling of money related and accounting information that is utilized by decision makers.
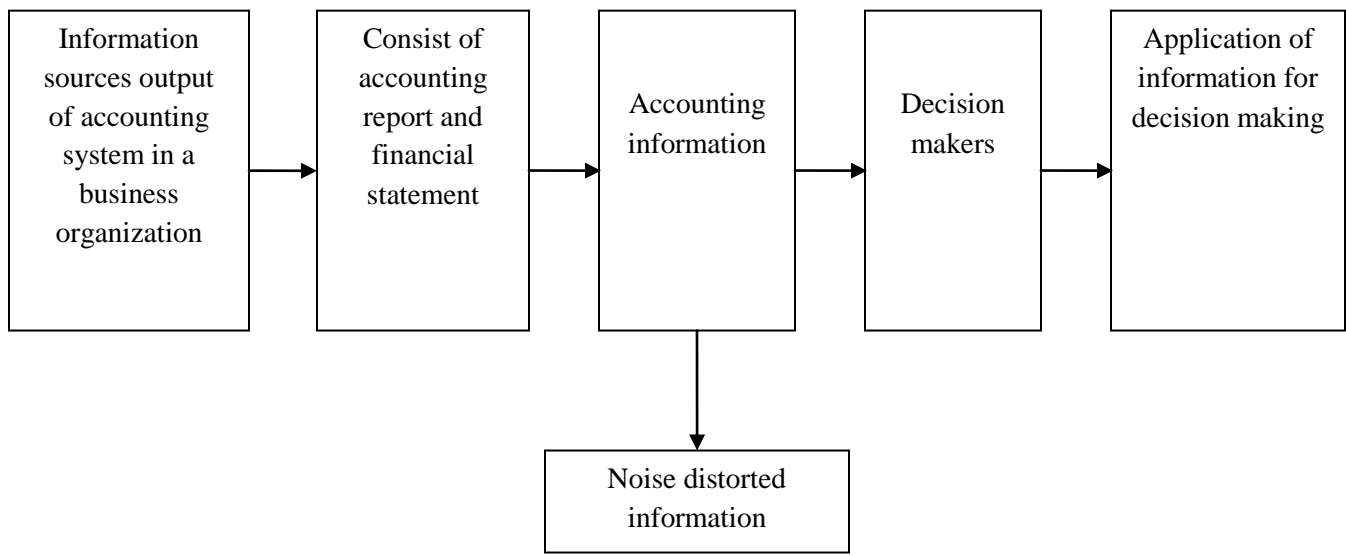
112   <u>Communication of Accounting Information</u>

113   <u>Lucy(1991) said, information must be transmitted by means of communication process and</u>

114   <u>communication involved in the interchanging of facts, thoughts, values, judgment and opinion which can</u>

115   <u>take many forms like face to face conversation, telephone call, letters report, visual display unit (VDU)</u>

116   <u>transmission etc.</u> Ackleshprsada, Peter and Jon(2012) also said, "many of today's alliances use the

117   Information Technology (IT) resources as their backbone. Communication as averred by Glauteir(1986)

118   as exchange of facts, ideas and opinion by two or more persons, the exchange is successful only when

119   actual understanding results. The managers of banks who receive this report, if it is understood, will use it

120   to evaluate the performance and viability of the firm before making lending decisions. Anyibo(1998)

121   contends that noise do occur in accounting system when there are transfer errors and calculation errors,

122   and this reduces the accuracy and reliability of the output of accounting information. To illustrate more on

123   the channel of communication in accounting information see the diagram below as adopted from

124   Osisioma(1996).
125

126   **Figure 1: Accounting as a communication system**

127

Information sources output of accounting system in a business organization → Consist of accounting report and financial statement → Accounting information → Decision makers → Application of information for decision making

Accounting information → Noise distorted information

128

129   Source (Ukaeje, 1997)

130   **2.6   Role of Accounting Information in Bank Lending Decision**

131   Banks needs accounting information to help them reach initial loan decisions and monitor the progress of

132   their advances. Accounting information helps bankers to determine whether the company's financial

133   position and forecast account which set out estimates of future cash flows and profitability. Where finance

134   is required for a new project, the kind of estimate referred to should be prepared to enable management

135   decide whether the demands are worthwhile. Banks must guard against making unnecessary demands of

136   information since compiling such information might prove costly and cause potential customer to look for

137   alternative source of finance. But This does not mean that banks should stop demanding for accounting

138   information. So bankers only need to make a realistic assessment of their requirement in the light of the

139   customer's request. The balance sheet of the firm must be well scrutinized by the banker in the light of

140   the trade that the firm engaged in the book debts and stock disclosed by the balance sheet would be

141   realized, should the debt be suddenly called in or if the stock is sold by force. Pandy(1979) opines "the

142   use of accounting information is to aid various interest parties such as investors, analysts and financial

143   institutions in making decisions concerning the performance, efficiency, stability, viability and future

144   prospects of enterprise." Accounting ratios are also computed from the accounting statement as they are

145   useful instruments for evaluating the viability of projects. These ratios include liquidity ratios, profitability

146   ratios and average ratios. Ratios have been known to help the project or credit analyst in making a

147   qualitative judgment about a firm's financial position and performance. This is because ratios indicate a

148   qualified relationship between current assets and current liabilities. Therefore, accounting information

149   plays a very important role in bank lending decisions.

150

151

RESEARCH METHODOLOGY

3.2   Research Design

The method adopted for this study is designed in a way that would enable the researcher collect data that would give a wider knowledge of the impact of accounting information in bank lending decision. The method adopted for the purpose of this research by the researcher is the survey research method.

3.3   Population of the Study

The population of the study comprises of all users of bank financial information in Abuja, Nigeria.

3.4   Sample Size and Sampling Technique

Primary data was used for the purpose of this research. Though there are several categories of users of banks financial information in Abuja, Nigeria, this study focuses on the core staff, contract staff and other staff of First Banks in Bwari Area Council, Abuja over a period of one year (2015). We administered forty(40) questionnaires to respondents of the bank but the total respondents used for this study was thirty-two (32).

Out of the various techniques of sampling, Quota sampling would be adopted. This is largely due to both time and financial constraints. As earlier explained, First Bank Nigeria Plc, Bwari Area Council, Abuja is the case study where forty (40) questionnaires would be administered as follows:

Table 1 QUESTIONNAIRES ADMINISTERED

S/NO	CATEGORIES OF STAFF	NUMBER OF QUESTIONNAIRE ADMINISTERED
1	Branch Manager	1
2	Supervisors	7
3	Account Officers	12

4	Sales Executives	5
5	Bulk Room Staff	8
6	Bank Clients	3
7	Credit Officer	4
		40

171 3.5   Instrument for Data Collection

172 We employed a structured questionnaire in eliciting the required data needed to test the formulated

173 hypotheses. The questionnaire was developed in a way that it would be able to adequately provide the

174 necessary information that enabled us achieve the objectives of the study. The questionnaire is made up

175 of two sections. The first section examined questions relating to demographics and bio-data of the

176 respondents such as age and sex amongst others. The second section examines questionnaire relating

177 to the study.

178 3.6   Reliability of Instrument

179 The response and data collected were subjected to reliability test using the Cronbach Alpha to determine

180 the reliability co-efficient.

181 3.7   Questionnaire Design

182 Questionnaire is adopted in this study in order to collect data from workers as regards to an evaluation of

183 credit as an extension service in First Bank of Nigeria PLC, Abuja. Forty (40) questionnaires are to be

184 administered in phrasing the questions.

185 3.8   Method of Data Analysis

186 Many statistical tools are available for the researcher for different purposes. To select the appropriate

187 techniques, certain considerations must receive attention, that is, the different types of data that may be

188 collected and several actors that relate both to the research questions and type of statistical tools that

189 may be applied.

190 The method of data analysis is the way by which raw materials are broken down for meaningful

191 understanding and interpretation as defined by Kerlinger (1973). He defined data as "a categorization,

192 ordering manipulation form so that the relations of research problems can be studied and tested". In this

193 research, the result from the data was done sequentially according to the research question and

194 hypothesis. However, the figures that will be indicated in the measuring instrument (questionnaire) was

195 taken, analyzed and interpreted and are subsequently used in testing the hypothesis.

196 Simple percentage was used to draw conclusions on the researcher's questions while Chi – Square was

197 employed in testing the hypothesis through the use of SPSS software package.After analyzing the

198 research questions and hypotheses, other relevant information and data relating to the result of the

199 survey were analyzed and commented accordingly.

200

201 The formula used in calculating simple percentages is thus:

202 <u>The number of respondent to question X 100</u>

203 Total number of respondents.

204 The chi – square formula $X^2 = \dfrac{(fo-fe)^2}{Fe}$

205 Fe

206 Will be used to proof the researcher – hypotheses which are:

207 **1.** H_1: The accounting information received from loan applicants does not significantly influence

208 First Bank's lending decisions.

209 **2.** H_2: Adequate accounting information does not help in reducing the incidence of bad debts.

210 **3.** H_3: Information about a customer's financial statements does not affect bank lending

211 decisions.

212 3.9 Decision Rule

213 The researcher's decision is based on the data that has been tabulated, analyzed and tested by the

214 statistical technique called the chi – square (X^2).If X^2calculated is greater than X^2table value, then null

215 hypotheses (Ho), shall be rejected and the alternative hypotheses (H_i) will be accepted. The reverse will

216 be the case when the chi – square (X^2) calculated value is less than X^2table value, the null hypothesis

217 (H_o) will be accepted and the alternative (H_i) will be rejected.

218

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is concerned with the presentation, analysis and interpretation of data generated through the

questionnaire. The result of the analysis will enable the researcher offer solution to research questions

and hypotheses.

4.2 Data Presentation

A total of Forty (40) questionnaires were distributed. The table below shows the return rate of the

questionnaire.

Table 2 Questionnaire Administration

S/NO	CATEGORIES OF STAFF	No. OF QUESTIONNAIRE ADMINISTERED	No. OF QUESTIONNAIRE RETURNED	PERCENTAGE
1	Branch Manager	1	0	0%
2	Supervisors	7	3	9.4%
3	Account Officers	12	9	28.1%
4	Sales Executives	5	5	15.6%
5	Bulk Room Staff	8	8	25%
6	Bank Clients	3	3	9.4%
7	Credit Officer	4	4	12.5%
	Total	40	32	100

Source: Research Survey 2015

From the above table 1 it is clear that questionnaire that was given to the branch manager did not return.

Only 3 out of the questionnaires distributed to the supervisors returned. Out of the 12 questionnaires

distributed to the Account Officers, only 9 were returned. All the questionnaires distributed to the sales

executives, bulk room staff, bank clients and credit officer were all returned as distributed.

4.3 Data Analysis and Interpretation

In this section, the questions raised in chapter one which were reflected in the questionnaire will be

analyzed.

Question 1

Does bank require accounting information before making lending decisions?

Table 3 Accounting Information and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	27	84.4	84.4	84.4
	No	5	15.6	15.6	100.0
	Total	32	100.0	100.0	

239   Source: Survey Data, 2015

240

241   From the above table 3, 27 (84.4%) of the respondents answered yes to the question; does bank require

242   accounting information before making lending decisions? While, 5 (15.6%) of the respondents answered

243   no to the question. This shows that most of the respondents are knowledgeable about their bank lending

244   decision.

245   Question 2

246   If yes, how is the performance of accounting information in bank lending decisions?

247

248   Table 4 Performance and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	3	9.4	11.1	11.1
	Below Average	4	12.5	14.8	25.9
	Fair/average	3	9.4	11.1	37.0
	Excellent	17	53.1	63.0	100.0
	Total	27	84.4	100.0	
Missing	System	5	15.6		
Total		32	100.0		

249   Source: Survey Data, 2015

250   As shown in the above table 4, it is clear that out of the 32 respondents, 17 (53.1%) responded that

251   accounting information has an excellent performance in bank lending decisions, 3 (9.4%) responded that

252   it has a fair performance, 4 (12.5%) responded that it is below average performance, while 9.4%

253   responded that it has a poor performance.

254   **Question 3**

255   To what extent would you say First Bank relies on Accounting Information before making lending

256   decisions?

Table 5 Reliance on Accounting Information and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A very insignificant extent	3	9.4	9.4	9.4
	A fairly significant extent	7	21.9	21.9	31.3
	A significant extent	10	31.3	31.3	62.5
	A very significant extent	12	37.5	37.5	100.0
	Total	32	100.0	100.0	

257 Source: Survey Data, 2015

258 Based on the analysis of question 3 as shown in table 5 above, out of the 32 respondents, 12 (37.5%) of

259 the respondents agree that First Bank relies on Accounting Information before making lending decisions

260 to a very significant extent, 10 (31.3%) of the respondents agree to that question to a significant extent, 7

261 (21.9%) agree to the statement to a fairly significant extent while 3 (9.4%) do not agree to very

262 insignificant extent.

263 Question 4

264 What other non-financial information influence your lending decisions?

265 **Table 6   Other Non-Financial Information and Lending Decisions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personality and integrity of borrowers	8	25.0	25.0	25.0
	Amount and purpose for the loan	1	3.1	3.1	28.1
	Central Bank of Nigeria Credit Guidelines	7	21.9	21.9	50.0
	All of the above	16	50.0	50.0	100.0
	Total	32	100.0	100.0	

266 Source: Survey Data, 2015

267

268 The result on the table above shows that the majority of the respondents (50%) think all the options

269 influences lending decisions. Furthermore, the results showed that 21.9% of the respondents think

270 Central Bank of Nigeria Credit Guidelines is the other non-financial information that influences lending

271 decisions, 3.1% answered that amount and purpose for the loan influences lending decisions, while, 25%

272 of the respondents agree that personality and integrity of borrowers influences lending decisions.

273 Question 5

274 To what extent would you say First Bank requires / insists on Audited Financial Statement from the

275 Customer?

276

277 Table 7 Audited Financial Statements and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A very insignificant extent	6	18.8	18.8	18.8
	A fairly significant extent	5	15.6	15.6	34.4
	A significant extent	7	21.9	21.9	56.3
	A very significant extent	14	43.8	43.8	100.0
	Total	32	100.0	100.0	

278 Source: Survey Data, 2015

279 From the table above, out of the 32 respondents, 43.8% of the respondents agree that First Bank requires

280 / insists on Audited Financial Statement from the Customer to a very significant extent, 21.9 of the

281 respondents agree to that question to a significant extent, 15.6% agree to the statement to a fairly

282 significant extent while 18.8% do not agree to very insignificant extent.

283 Question 6

284 Do you agree that improper accounting records from customers contribute to non re – payment of loans?

Table 8   Improper Accounting Records and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	15.6	15.6	15.6
	Agreed	6	18.8	18.8	34.4
	Strongly Agreed	21	65.6	65.6	100.0
	Total	32	100.0	100.0	

285 **Source: Survey Data, 2015**

286 The table above shows that, 65.6% of the respondents strongly agreed that improper accounting records

287 from customers contribute to non re – payment of loans, 18.8% agree improper accounting records from

288 customers contribute to non re – payment of loans while 15.6% disagree with the statement.

289 Question 7

290 After repayment of loans how often do these same customers come back for more loans?

291 Table 9 After Loans and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	12.5	12.5	12.5

		Frequency	Percent	Valid Percent	Cumulative Percent
	Not often	6	18.8	18.8	31.3
	Often	1	3.1	3.1	34.4
	Very often	21	65.6	65.6	100.0
	Total	32	100.0	100.0	

From the table above, out of the 32 respondents, 65.6% of the respondents agree that after repayment of loans these same customers very often come back for more loans, 3.1 of the respondents agree that after repayment of loans these same customers often come back for more loans, 18.8% agree that after repayment of loans these same customers not often come back for more loans while 12.5% agree that after repayment of loans these same customers not often come back for more loans at all.

Question 8

Do you agree that your bank requires periodic financial statements from customers who have been granted loans?

Table 10   Periodic Financial Statements and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	6	18.8	18.8	18.8
	Disagree	4	12.5	12.5	31.3
Valid	Agreed	5	15.6	15.6	46.9
	Strongly Agreed	17	53.1	53.1	100.0
	Total	32	100.0	100.0	

The table above shows that, 53.1 % of the respondents strongly agreed that their bank requires periodic financial statements from customers who have been granted loans, 15.6% agree that their bank requires periodic financial statements from customers who have been granted loans, 12.5% disagree that their bank requires periodic financial statements from customers who have been granted loans while 18.8% strongly disagree with the statement.

Question 9

What is the frequency of rejected loan applications?

Table 11   Loan Application and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-24	7	21.9	21.9	21.9

	between 25-49	17	53.1	53.1	75.0
	between 50-74	3	9.4	9.4	84.4
	between 75 – 100	5	15.6	15.6	100.0
	Total	32	100.0	100.0	

311 Source: Survey Data, 2015

312 From the table above, 21.9% of the respondents agreed that the frequency of rejected loan applications is

313 between 0-24, 53.1% of the respondents agreed that the frequency of rejected loan applications is

314 between 25-49, 9.4% of the respondents agreed that the frequency of rejected loan applications is

315 between 50 to 74 while 15.6% of the respondents agreed that the frequency of rejected loan applications

316 is between 75 to 100.

317 **Question 10**.

318 Do you think there has been adequate enlightenment on the Bank's Lending facilities?

319 Table 12   Inadequate Enlightenment and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
	No	9	28.1	28.1	28.1
Valid	Yes	23	71.9	71.9	100.0
	Total	32	100.0	100.0	

320 Source: Survey Data, 2015

321 The table above shows that, 71.9% of the respondents agree that there has been adequate

322 enlightenment on the Bank's Lending facilities while 28.1% do not believe that there has been adequate

323 enlightenment on the Bank's Lending facilities.

324 Question 11

325 Would you agree that it has a positive effect to the lending decision and reduction of default rate?

326

Table 13   Default Rate and Lending Decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
	Disagree	6	18.8	18.8	18.8
Valid	Agreed	7	21.9	21.9	40.6
	Strongly Agreed	19	59.4	59.4	100.0
	Total	32	100.0	100.0	

327 Source: Survey data 2015

328   The table above shows that, 59.4% of the respondents strongly agreed that adequate enlightenment on

329   the bank's lending facilities has a positive effect to the lending decision and reduction of default rate,

330   21.9% agree that adequate enlightenment on the bank's lending facilities has a positive effect to the

331   lending decision and reduction of default rate while 18.8% disagree with the statement.

332   **4.4 Hypotheses Testing**

333   Ho$_1$:   The accounting information received from loan applicants does not significantly influence First

334   Bank's lending decisions.

Table 14 Chi-Square Tests 1

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.353[a]	9	.000
Likelihood Ratio	46.143	9	.000
Linear-by-Linear Association	18.600	1	.000
No. of Valid Cases	27		

a. 15 cells (93.8%) have expected count less than 5. The minimum expected count is .44.

335   Since the p-value is less than .05, the null hypothesis is rejected, thus accounting information received

336   from loan applicants significantly influence First Bank's lending decisions.

337   Ho$_2$:   Adequate accounting information does not help in reducing the incidence of bad debts.

Table 15 Chi-Square Tests 2

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	54.222[a]	6	.000
Likelihood Ratio	50.935	6	.000
Linear-by-Linear Association	29.165	1	.000
No. of Valid Cases	32		

a. 11 cells (91.7%) have expected count less than 5. The minimum expected count is .16.

338

339   Since the p-value is less than .05, the null hypothesis is rejected, thus adequate accounting information

340   helps in reducing the incidence of bad debts

341   Ho$_3$:   Information about a customer's financial statements does not affect bank lending decisions.

Table 16 Chi-Square Tests 3

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.830[a]	9	.045
Likelihood Ratio	12.517	9	.018
Linear-by-Linear Association	1.791	1	.018
N of Valid Cases	32		

a. 14 cells (87.5%) have expected count less than 5. The minimum expected count is .38.

342

343   Since the p-value is less than .05, the null hypothesis is rejected, thus information about a customer's

344   financial statements affect bank lending decisions.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1   Summary of Findings

This research work examined the impact of accounting information on bank lending decision. A summary of findings from the questionnaire administered and the tested hypothesis are thus presented in this chapter, recommendations are made and a final conclusion is given.

The research findings are summarize as follows:

i.   accounting information received from loan applicants significantly influences First Bank's lending decisions.

ii.   adequate accounting information helps in reducing the incidences of bad debts

iii.   Information about a customer's financial statements affects bank lending decisions.

Having presented and analyzed the data collected for this study in a logical and sequential manner, the researcher reviews that accounting information is required before making lending decisions by banks. More so, it is deduced from the study that the incidence of bad debts can be minimized if proper accounting information is made available by First bank Plc and that the accounting information received from customers significantly influences the bank's lending decision.

5.2 Limitation of the Study

The effort of the researcher on this work was constrained by the following:

1.   Finance: the researcher would have travelled to various commercial banks to get data for this study but due to limited fund he could not do so.

2.   Time constraint: the researcher being a student who combines going to lectures,doing assignments with researches and equally exams was constrained by time factor which hindered him from travelling to get more information which will help him to give this work extensive research it deserved.

370   3.   Casual work attitude of respondents: this is the: "I don't know or I don't have time attitude" of
371   some respondent also hindered the research work from getting more information which would
372   help him give the work more extensive research.
373   4.   Bias on the part of the researcher: this has been a limitation to most study as there is a possibility
374   of the inclusion of personal sentiment in conducting research work as a result of human nature
375   (bound with personal opinion).

5.3   Conclusion

377   Judging from these findings, the researcher concludes that accounting information has great effects on
378   bank lending decisions although the extent to which banks make use of it differ from one bank to another.
379   It was clearly stated that banks do demand financial statements while making lending decision, for it has
380   helped them a lot towards knowing how viable the loan sought out for are is utilized as well as the
381   possibility of its recovery before granting the loan. It was discovered that accounting information received
382   from loan applicants do influence banks' lending decision. However the banks need to be very careful to
383   be able to sort out which financial statement is true and which is false, this is because if the accounting
384   statement is falsified and is relied upon by the bank, it would surely mislead the analyst who would in turn
385   make a wrong decision approving a loan which cannot be repaid at maturity, thereby increasing the
386   incidence of bad debts in banks.
387   Therefore, accounting information has a great impact on bank lending decisions for it will help them a lot
388   to improve their credit facility and make sure of recovery when properly used.

5.4   Recommendation

390   Based on the findings from this study, the researcher hereby makes recommendation as follows for the
391   improvement in the use of accounting information by banks.
392   1.   Commercial banks should insist on properly audited financial statements from all customers
393   wishing to apply for loans.
394   2.   Commercial banks are advised to discount the cash flow of the loan applied so that they will
395   know how viable the project is therefore granting the loan.

396   3.   Commercial banks must employ well trained analysts in the profession, who will be responsible
397   for analyzing each customer's financial statements for proper interpretation strictly based on
398   merit.

399   4.   Commercial banks should also establish good, efficient and credible credit departments and
400   continually train department staff. This will help bankers to prepare and scrutinize data
401   presented to them very well.

402   5.   There is need to monitor the affairs of any successful loan applicant to ensure that the progress
403   of the project is on course and the loan is not diverted.

404   6.   It is recommended that further research could still be conducted on these issues to enhance the
405   development of bank management as regard to the impact of accounting information on lending
406   decisions of banks.

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