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2
3 **IMPACT OF ACCOUNTING INFORMATION ON BANK LENDING DECISIONS: A**
4 **CASE STUDY OF FIRST BANK, BWARI AREA COUNCIL, ABUJA**
5

6 **ABSTRACT**

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

20 **Keywords:** Accounting Information; Bank Lending decisions; loan applicants; First Bank
21

22 **1. INTRODUCTION**

23 One attribute which can distinguish banks from different economic associations is the
24 relationships between the bank and its debtors. These firm-lender relationships can aid resolve
25 market disasters and hence provide a function for banks. This study describes the theoretical
26 function of lending relationships (selections) in between banks and debtors via enough
27 accounting expertise. Relationships can generate priceless knowledge as good as be used to
28 constrain debtors. Lending selections must be most priceless and the expertise about a firm and
29 its knowledge funding opportunities are most specific. Financial associations play the position of
30 money management on investments and borrowing. The monetary atmosphere is a dynamic one,
31 so business banks must plan for them to survive. Loans granted are based on certain factors
32 which must be considered in lending which in turn influence the lending determination and
33 support the bank in monitoring growth after such advances have been made. The services which
34 First bank and other banks lengthen to consumers comprise overdrafts, loans, bill negotiations,
35 bill discounting, guarantees, letters of credit and issuing of credit services. Financial statement
36 and financial information play a key role in credit assessment and evaluation stages of commercial
37 loan decision (Libby, 1979 in Gomez-Guillamon, 2003). Accounting know-how helps customers
38 to make higher financial expertise selections. Customers of accounting know-how may be both
39 inside and outside to the institution. can be a constitution that a trade makes use of to gather,
40 retailer, manipulate, , retrieve and file its fiscal information so that it may be utilized by

41 accountants, consultants, business analyst , chief financial officer and tax businesses. An
42 accounting expertise method is ordinarily a computer-headquartered approach of tackling
43 accounting activity together with know-how technology assets. This approach entails gathering,
44 storing and processing financial and accounting knowledge that's utilized by choice makers. The
45 know-how amassed through the everyday transactions, income and purchases daybook,
46 shoppers' advances, and ledgers are all accounting information. There have been calls and voices
47 involving the lending resolution being adopted through commercial banks. This study is
48 designed based on the aforementioned reason objectives at ascertaining the effect of accounting
49 expertise on bank lending decisions taking specific reference to First bank institution PLC.
50

51 **1.1 Statement of the Problem**

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

57 The extent to which accounting information impact on bank lending decision is however not
58 clear in the face of banks having recurring default on loans and non-performing loans from
59 customers. Hence we seek to investigate the impact of accounting information on bank lending
60 decision in Nigeria.
61

62 **1.2 Objective of the Study**

63 The purpose of this study is as follows:

- 64 1. To investigate the impact of accounting information on lending decisions of First Bank
65 Plc.
- 66 2. To examine the impact of accounting information in reducing the incidence of bad debts.
- 67 3. To determine the extent to which the customer's financial statements affect banks'
68 lending decisions.
- 69 4. To ascertain how accounting information can be useful in dealing with fraudulent
70 practices.
71

72 **1.3 Research Questions**

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

- 74 i. What are the essentials of accounting information in bank lending decisions?
- 75 ii. What is the effect of adequate use of accounting information in reducing the incidence of
76 bad debts?
- 77 iii. To what extent does a customer's financial statements affect bank lending decisions?
78
79

80 **1.4 Research Hypotheses**

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

- 82 H₁: The accounting information received from loan applicants does not significantly
83 influence First Bank's lending decisions.
- 84 H₂: Adequate accounting information does not help in reducing the incidence of bad debts.
- 85 H₃: Information about a customer's financial statements does not affect bank lending
86 decisions.

87

88 **1.5 Scope of the Study**

89 The researcher tends to limit the scope of study to First Bank Bwari Area Council, Abuja to
90 enable him carrying out a proper assessment. The research is however carried out within a period
91 of one year.

92

93 **2. LITERATURE REVIEW**

94

95 **2.1 Conceptual Framework**

96

97 *The Concept of Accounting Information*

98 An Accounting information system (AIS) is a structure that a business uses to collect, store,
99 manage, process, retrieve and report its financial data so that it can be used by accountants,
100 consultants, business analysts, managers, chief financial officers (CFOS), auditors, regulatory
101 and tax agencies. For the purpose of this research, the researcher is only concerned with the
102 granting of loans and advance as this is a very important aspect banks could agree to grant loan
103 to customers, certain conditions must be met and one of them is the presentation of firms or
104 clients accounting information showing the financial position of the business.

105 It depends on this that the scientist needs to discover what this bookkeeping data is about.
106 Ambros (2009) characterized bookkeeping as the way toward recognizing estimating and
107 imparting monetary and money related data to allow educated judgment and choice by clients
108 regarding the data. Wolk et al (2013) identify creditors and investors as the two primary users of
109 accounting information. Creditors generally focus on facts as well as numbers in estimating customers'
110 ability to repay loans while on the contrary, investors are more concerned with information that enable
111 them estimate their return potential on investments. When in doubt, clients can settle on better
112 choices as the amount and nature of data increment. Alexander, Britton & Jorissen (2009) argue that
113 the most frequently used ratios that show a company's profitability are return on equity, return on asset
114 and return on capital employed. Gopalakrishnan & Parkash (1995) assessed the perception of
115 accounting information in lending from borrowers and lenders point of view. Results that emanated
116 from the study show that debt-to-equity ratio and tangible net worth covenants contributed to the
117 technical default in loan repayment.

118

119 *Communication of Accounting Information*

120 Lucy(1991) said, information must be transmitted by means of communication process and
121 communication involved in the interchanging of facts, thoughts, values, judgment and opinion
122 which can take many forms like face to face conversation, telephone calls, letters, reports, visual
123 display unit (VDU) transmission etc. Sawalga (2012) examined the most important information
124 sources relating to investment decision situations in Iran. The results obtained indicate that to investors,
125 corporate annual reports were the most important for investment decisions. Communication as
126 averred by Glauteir (1986) is exchange of facts, ideas and opinions by two or more persons, the
127 exchange is successful only when actually there is an understanding of the results. The managers
128 of banks receive reports, if these are understood, will use them to evaluate the performance and
129 viability of the firm before making lending decisions.

130

131 **2.2 Role of Accounting Information in Bank Lending Decision**

132 Bank needs accounting information to help them reach initial loan decisions and monitor the
133 progress of their advances. Accounting information helps bankers to determine the company's

134 financial position and forecast account which set out estimates of future cash flows and
 135 profitability. Where finance is required for a new project, the kind of estimate referred to should
 136 be prepared to enable management decide whether the demands are worthwhile. Banks must
 137 guard against making unnecessary demands of information since compiling such information
 138 might increase costs and cause potential customer to look for alternative source of finance. But
 139 this does not mean that banks should stop demanding for accounting information. So bankers
 140 only need to make a realistic assessment of their requirement in the light of the customer's
 141 request. The balance sheet of the firm must be well scrutinized by the banker in the light of the
 142 trade that the firm is engaged in. The debts and stock disclosed by the balance sheet would be
 143 analysed and detected, should the debt be suddenly called in or if the stock is sold by force.
 144 Pandy (1979) opines "the use of accounting information is to aid various interest parties such as
 145 investors, analyst and financial institutions in making decisions concerning the performance,
 146 efficiency, stability, viability and future prospects of enterprise." Accounting ratios are also
 147 computed from the accounting statement as they are useful instrument for evaluating the viability
 148 of projects. Therefore, accounting information plays a very important role in bank lending
 149 decisions.

151 3. RESEARCH METHODOLOGY

153 3.1 Research Design

154 Survey research method is adopted for this study because it is designed in a way that would
 155 enable the researcher collect data that would give a wider knowledge of the impact of accounting
 156 information in bank lending decision.

158 3.2 Population of the Study

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

162 3.3 Sample Size and Sampling Technique

163 Primary data was used for the purpose of this research. Though there are several categories of
 164 users of banks financial information in Abuja, Nigeria, this study focuses on the core staff,
 165 contract staff and other staff of First Banks in Bwari Area Council, Abuja over a period of one
 166 year (2015). We administered forty (40) questionnaires to respondents of the bank but the total
 167 respondents used for this study was thirty-two (32). Therefore, the overall response rate is 80%
 168 which is appropriate.

169 Out of the various techniques of sampling, Quota sampling would be adopted. This is largely due
 170 to both time and financial constraints. As earlier explained, First Bank Nigeria Plc, Bwari Area
 171 Council, Abuja is the case study where forty (40) questionnaires would be administered as
 172 shown in Table 1.

174 **Table 1: Questionnaires Administered**

S/NO	Categories of Staff	Number of Questionnaires 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

175

176

177 **3.4 Instrument for Data Collection**

178 We employed a structured questionnaire in eliciting the required data needed to test the
 179 formulated hypotheses. The questionnaire was developed in a way that it would be able to
 180 adequately provide the necessary information to enable us achieve the objectives of the study.

181 The questionnaire is made up of two sections. The first section examined questions relating to
 182 demographics and bio-data of the respondents such as age and sex amongst others. The second
 183 section examines questionnaire relating to the study.

184

185 **3.5 Questionnaire Design**

186 Questionnaire is adopted in this study in order to collect data from workers as regards to an
 187 evaluation of credit as an extension service in First Bank of Nigeria PLC, Abuja. Forty (40)
 188 questionnaires were administered.

189

190 **3.6 Method of Data Analysis**

191 Many statistical tools are available for the researcher for different purposes. To select the
 192 appropriate techniques, certain considerations must receive attention, that is, the different types
 193 of data that may be collected and several actors that relate both to the research questions and type
 194 of statistical tools that may be applied.

195 The method of data analysis is the way by which raw materials are broken down for meaningful
 196 understanding and interpretation as defined by Kerlinger (1973). He defined data as “a
 197 categorization, ordering manipulation form so that the relations of research problems can be
 198 studied and tested”. In this research, the result from the data was done sequentially according to
 199 the research questions and hypotheses. However, the figures that will be indicated in the
 200 measuring instrument (questionnaire) was taken, analyzed and interpreted and are subsequently
 201 used in testing the hypotheses.

202 Simple percentage was used to draw conclusions on the researcher’s questions while Chi –
 203 Square was employed in testing the hypotheses through the use of the Statistical Product and
 204 Service Solutions, SPSS software (an IBM product since 2009; Hejase & Hejase, 2013). After
 205 analyzing the research questions and hypotheses other relevant information and data relating to
 206 the result of the survey were analyzed and commented accordingly.

207

208 The formula used in calculating simple percentages is thus:

209
$$\frac{\text{The number of respondent to question X } \times 100}{\text{Total number of respondents.}}$$

210

211 The chi – square formula
$$X^2 = \frac{(fo-fe)^2}{fe}$$

212

213 Will be used to test the hypotheses which are:

- 214 1. H₁: The accounting information received from loan applicants does not significantly
 215 influence First Bank’s lending decisions.

- 216 2. H₂: Adequate accounting information does not help in reducing the incidence of bad
 217 debts.
 218 3. H₃: Information about a customer's financial statements does not affect bank lending
 219 decisions.

220
 221 **3.7 Decision Rule**

222 The researcher's decision is based on the data that has been tabulated, analyzed and tested by the
 223 statistical technique called the chi – square (X²).If X²calculated is greater than X²table value,
 224 then null hypotheses (H₀), shall be rejected and the alternative hypotheses (H_i) will be accepted.
 225 The reverse will be the case when the chi – square (X²) calculated value is less than X²table
 226 value, the null hypothesis (H₀) will be accepted and the alternative (H_i) will be rejected.

227
 228 **4. DATA PRESENTATION AND ANALYSIS**

229
 230 **4.1 Introduction**

231 This section is concerned with the presentation, analysis and interpretation of data generated
 232 through the questionnaire. The result of the analysis will enable the researcher offer solution
 233 to research questions and hypotheses.

234
 235 **4.2 Data Presentation**

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

238
 239 **Table 2: Questionnaire Administration**

S/NO	Categories of Staff	No. of Questionnaires Administered	No. of Questionnaires Required	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

240 Source: Research Survey 2015

241
 242 Table 1 shows that clearly that the questionnaire that was delivered to the branch manager was
 243 not returned. Only 3 out of the questionnaires distributed to the supervisors were returned. Out of
 244 the 12 questionnaires distributed to the Account Officers, only 9 were returned. All the
 245 questionnaires distributed to the sales executives, bulk room staff, bank clients and credit officer
 246 were all returned as distributed.

247
 248 **4.3 Data Analysis and Interpretation**

249 In this section, the questions raised in the introduction were reflected in the questionnaire which
 250 will be analyzed.

251
 252 **Question 1**

253 Does bank require accounting information before making lending decisions?
 254

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	

255 Source: Survey Data, 2015

256 Table 3 shows that 27 (84.4%) of the respondents answered yes to the question. While, 5
 257 (15.6%) of the respondents answered no to the question. This shows that most of the respondents
 258 are knowledgeable about their bank lending decision.

259
 260 **Question 2**

261 If yes, how is the performance of accounting information in bank lending decisions?
 262

263 **Table 4: Performance and Lending Decisions**

264

		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		

265 Source: Survey Data, 2015

266
 267 Table 4 reveals that out of the 32 respondents, 53.1% responded that accounting information has
 268 an excellent performance in bank lending decisions, 9.4% responded that it has a fair
 269 performance, 12.5% responded that it is below average performance, while 9.4% responded that
 270 it has a poor performance.

271
 272 **Question 3**

273 To what extent would you say First Bank relies on Accounting Information before making
 274 lending decisions?
 275

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	

276 Source: Survey Data, 2015

277
 278 Based on the analysis of question 3 shown in Table 5, out of the 32 respondents, 37.5% of the
 279 respondents agree that First Bank relies on Accounting Information before making lending
 280 decisions to a very significant extent, 31.3% of the respondents agree to that question to a
 281 significant extent, 21.9% agree to the statement to a fairly significant extent while 9.4% do not
 282 agree to very insignificant extent.

283
 284 **Question 4**

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

286

287 **Table 6: Other Non-Financial Information and Lending Decisions**

	Frequency	Percent	Valid Percent	Cumulative Percent
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	

288 Source: Survey Data, 2015

289
 290 Table 6's results show that the majority of the respondents (50%) think all the options influences
 291 lending decisions. Furthermore, the results showed that 21.9% of the respondents think Central
 292 Bank of Nigeria Credit Guidelines is the other non-financial information that influences lending
 293 decisions, 3.1% answered that amount and purpose for the loan influences lending decisions,
 294 while, 25% of the respondents agree that personality and integrity of borrowers influences
 295 lending decisions.

296
 297 **Question 5**

298 To what extent would you say First Bank requires / insists on Audited Financial Statement from
 299 the Customer?

300

301

302 **Table 7: Audited Financial Statements and Lending Decisions**

	Frequency	Percent	Valid Percent	Cumulative Percent
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	

303 Source: Survey Data, 2015

304

305 Results show that out of the 32 respondents, 43.8% of the respondents agree that First Bank
 306 requires / insists on Audited Financial Statement from the Customer to a very significant extent,
 307 21.9 of the respondents agree to that question to a significant extent, 15.6% agree to the
 308 statement to a fairly significant extent while 18.8% do not agree to very insignificant extent. See
 309 Table 7 for details.

310

311 **Question 6**

312 Do you agree that improper accounting records from customers contribute to non re – payment
 313 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
Valid Agreed	6	18.8	18.8	34.4
Valid Strongly Agreed	21	65.6	65.6	100.0
Valid Total	32	100.0	100.0	

314 Source: Survey Data, 2015

315

316 Table 8 shows that, 65.6% of the respondents strongly agreed that improper accounting records
 317 from customers contribute to non re – payment of loans, 18.8% agree improper accounting
 318 records from customers contribute to non re – payment of loans while 15.6% disagree with the
 319 statement. Therefore, a grand majority of 84.4% agreed overall.

320

321 **Question 7**

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

323

324 **Table 9: After Loans and Lending Decisions**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not at all	4	12.5	12.5	12.5
Valid Not often	6	18.8	18.8	31.3
Valid Often	1	3.1	3.1	34.4
Valid Very often	21	65.6	65.6	100.0
Valid Total	32	100.0	100.0	

325 Source: Survey Data, 2015

326

327 Table 9 asserts that out of the 32 respondents, 65.6% of the respondents agree that after
 328 repayment of loans these same customers very often come back for more loans, 3.1 of the
 329 respondents agree that after repayment of loans these same customers often come back for more

330 loans, 18.8% agree that after repayment of loans these same customers not often come back for
 331 more loans while 12.5% agree that after repayment of loans these same customers not often
 332 come back for more loans at all.

333
 334 **Question 8**

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

337
 338

339
 340

341 **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	

342 Source: Survey Data, 2015

343
 344 53.1 % of the respondents strongly agreed that their bank requires periodic financial statements
 345 from customers who have been granted loans, 15.6% agree that their bank requires periodic
 346 financial statements from customers who have been granted loans, 12.5% disagree that their
 347 bank requires periodic financial statements from customers who have been granted loans while
 348 18.8% strongly disagree with the statement. Results are depicted in Table 10.

349
 350 **Question 9**

351 What is the frequency of rejected loan applications?

352

Table 11: Loan Application and Lending Decisions

	Frequency	Percent	Valid Percent	Cumulative Percent
0-24	7	21.9	21.9	21.9
between 25-49	17	53.1	53.1	75.0
Valid 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	

353 Source: Survey Data, 2015

354
 355 Table 11 shows that 21.9% of the respondents agreed that the frequency of rejected loan
 356 applications is between 0-24, 53.1% of the respondents agreed that the frequency of rejected loan
 357 applications is between 25-49, 9.4% of the respondents agreed that the frequency of rejected loan

358 applications is between 50 to 74 while 15.6% of the respondents agreed that the frequency of
 359 rejected loan applications is between 75 to 100.

360

361 **Question 10**

362 Do you think there has been adequate enlightenment on the Bank’s Lending facilities?
 363
 364
 365
 366

367 **Table 12: Inadequate Enlightenment and Lending Decisions**

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

368 Source: Survey Data, 2015

369
 370 Results from Table 12 show that, 71.9% of the respondents agree that there has been adequate
 371 enlightenment on the Bank’s Lending facilities while 28.1% do not believe that there has been
 372 adequate enlightenment on the Bank’s Lending facilities.
 373

374 **Question 11**

375 Would you agree that it has a positive effect to the lending decision and reduction of default
 376 rate?
 377

Table 13: Default Rate and Lending Decisions

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

378 Source: Survey data 2015

379
 380 Table 13 reveals that, 59.4% of the respondents strongly agreed that adequate enlightenment on
 381 the bank’s lending facilities has a positive effect to the lending decision and reduction of default
 382 rate, 21.9% agree that adequate enlightenment on the bank’s lending facilities has a positive
 383 effect to the lending decision and reduction of default rate while 18.8% disagree with the
 384 statement.
 385

386 **4.4 Hypotheses Testing**

387 **Ho₁: The accounting information received from loan applicants does not significantly**
 388 **influence First Bank’s lending decisions.**
 389

390 **Table 14: Chi-Square Test 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.

391 Table 14 revealed that the p-value is less than .05, therefore, the null hypothesis is rejected, thus
392 accounting information received from loan applicants significantly influence First Bank's
393 lending decisions.

394

395 **Ho₂: Adequate accounting information does not help in reducing the incidence of bad**
396 **debts.**

397

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.

398

399 As shown in Table 15, since the p-value is less than .05, the null hypothesis is rejected, thus
400 adequate accounting information helps in reducing the incidence of bad debts.

401

402 **Ho₃: Information about a customer's financial statements does not affect bank lending**
403 **decisions.**

404

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.

405

406 Since the p-value is less than .05, the null hypothesis is rejected, thus information about a
407 customer's financial statements affect bank lending decisions. See Table 16.

408 **5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

409

410 **5.1 Summary of Findings Validate with reported research**

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

414 The research findings are summarize as follows:

415 *i.* accounting information received from loan applicants significantly influence First Bank's
416 lending decisions.

417 *ii.* adequate accounting information helps in reducing the incidence of bad debts

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

419

420 Having presented and analyzed the data collected for this study in a logical and sequential
421 manner, the researcher reviews that accounting information is required before making lending
422 decisions by banks.

423 More so, it is deduced from the study that the incidence of bad debts can be minimized if proper
424 accounting information is made available by First bank Plc. That the accounting information
425 received from customers significantly influences the bank's lending decision.

426

427 **5.2 Limitation of the Study**

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

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

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

435 3. Casual work attitude of respondents: Unwillingness to answer the questionnaire by
436 stating the following: "I don't know or I don't have time attitude" by some respondents
437 also hindered the research work from getting more information which would help him
438 give the work more extensive research.

439 4. Bias on the part of the researcher: this has been a limitation to most study as there is a
440 possibility of the inclusion of personal sentiment in conducting research work as a result
441 of human nature (bound with personal opinion).

442

443 **5.3 Conclusion Validate with reported literature**

444 Judging from the findings of this research, the researcher concludes that accounting information
445 has great effects on bank lending decisions although the extent to which banks make use of it
446 differ from one bank to another. It was clearly stated that banks do demand financial statements
447 while making lending decision, for it has helped them a lot towards knowing how viable the loan
448 sought out for are as well as the possibility of its recovery before granting the loan. It was

449 discovered that accounting information received from loan applicants do influence banks'
450 lending decision. However the banks need to be very careful to be able to sort out which
451 financial statement is true and which is false, this is because if the accounting statement is
452 falsified and is relied upon by the bank, it would surely mislead the analyst who would in turn
453 make a wrong decision approving a loan which cannot be repaid at maturity, thereby increasing
454 the incidence of bad debts in banks.

455 Therefore, accounting information has a great impact on bank lending decisions for it will help
456 them a lot to improve their credit facility and make sure of recovery when properly used.

457

458 **5.4 Recommendation**

459 Based on the findings from this study, the researcher hereby makes recommendations as follows
460 for the improvement in the use of accounting information by commercial banks.

- 461 1. Commercial banks should insist on properly audited financial statements from all
462 customers wishing to apply for loans.
- 463 2. Commercial banks are advised to discount the cash flow of the loan applied so that they
464 will know how viable the project is therefore granting the loan.
- 465 3. Commercial banks must employ well trained analysts in the profession, who will be
466 responsible for analyzing each customer's financial statements for proper interpretation
467 strictly based on merit.
- 468 4. Commercial banks should also establish good, efficient and credible credit departments
469 and continually train department staff. This will help bankers to prepare and scrutinize
470 data presented to them very well.
- 471 5. There is need to monitor the affairs of any successful loan applicant to ensure that the
472 progress of the project is on course and the loan is not diverted.
- 473 6. It is recommended that further research could still be conducted on these issues to
474 enhance the development of bank management as regard to the impact of accounting
475 information on lending decisions of banks.

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