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FINANCIAL STATEMENT ANALYSIS AND SHAREHOLDERS' INVESTMENT DECISIONS OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract: This study determined the effect of financial statement analysis on shareholders' investment decisions among listed deposit money banks in Nigeria. The specific objective was to examine the extent to which liquidity analysis and profitability analysis affect equity shareholding. The *ex-post facto* research design was adopted. A sample of ten deposit money banks was used. Data for the study were extracted from the published financial statements of the sampled banks from 2013 to 2022. Ordinary Least Squares (OLS) technique was employed to test the hypotheses while descriptive statistical analysis was used to the data. The findings revealed that liquidity analysis has a positive non-significant effect on equity shareholding among listed deposit money banks in Nigeria (*p*-value = 0.0540); profitability analysis has a significant positive effect on equity shareholding among listed deposit money banks in Nigeria (*p*-value = 0.000). The study recommends that deposit money banks in Nigeria should maintain a judicious approach to leverage, periodically reassessing debt levels to strike a balance that optimizes financial health while mitigating excessive risk, thereby fostering investor confidence.

Keywords: Liquidity analysis, Profitability analysis and Equity shareholding

INTRODUCTION

As the largest economy in Africa, Nigeria's banking sector is home to numerous quoted banks listed on the Nigerian Stock Exchange (NSE). These banks attract a diverse range of investors, including retail shareholders, institutional investors, and foreign entities. They invest in these banks with the expectation of earning returns on their investments, capitalizing on opportunities for growth, and participating in the overall development of the Nigerian economy. For investors, whether large institutions or individual stockholders, making informed decision is very important. These decisions are largely predicated on the financial health and performance of the firm in which they hold stakes, the primary source of information available to them for evaluating their investment in Nigerian banks is the financial statements published by these institutions. An analysis of company's future

prospects from financial statement is one of the most important objectives of business analysis, namely being able to identify and assess the company's competitive strengths and weaknesses as well as opportunities and threats for the company (Sjahrial & Purba, 2013).

In addition, bank has experienced periods of volatility, regulatory changes and economic uncertainties. This can significantly impact the financial health and performance of banks, making it challenging for shareholders to navigate this landscape effectively.

However, shareholders make well-informed investment decisions in listed deposit money banks in Nigeria by relying on comprehensive financial statement analysis. They have access to accurate and timely financial information, allowing for a thorough evaluation of the banks' performance, risks, and overall financial health (Uzodimma & Chikwelu, 2021). In this case, shareholders can confidently assess the potential returns and risks associated with their investment, leading to more prudent and strategic decision-making (Zayol, Tavershima & Eje, 2017). However, inadequate transparency, complex financial statements, or a lack of investor-friendly disclosures hinders shareholders' ability to conduct a thorough financial analysis. This situation raises concerns about the effectiveness of shareholders' decision-making processes and the overall health of the investment environment (Nurcholisah, 2016). Consequently, shareholders may make investment decisions based on incomplete or inaccurate financial information, leading to suboptimal outcomes. Inaccurate assessments of a firm's financial health can result in increased investment risks, potentially affecting the value of shareholders' investments (Kaluarachchi, 2020). Moreover, a lack of confidence in the reliability of financial statements may contribute to a decline in overall investor trust and participation in the listed deposit money banks, impacting the stability and efficiency of the financial market. In view of this issue, this study examines the effect of financial statement analysis on shareholders' investment decision in listed deposit money banks in Nigeria.

The broad objective of the study is to examine the effect of financial statement analysis on shareholders' investment decision in listed deposit money banks in Nigeria. The specific objectives are:

1. To evaluate the effect of liquidity analysis on equity shareholding among listed deposit money banks in Nigeria.
2. To ascertain the effect `of profitability analysis on equity shareholding among listed deposit money banks in Nigeria.

Review of Related Literature

Financial statements are the business pamphlets that firms use to report the results of their activities to various user groups, which can include managers, investors, creditors, and regulatory agencies. In turn, these parties use the reported information to make a variety of decisions, such as whether to invest in or loan money to the company, amongst many others (Harrison, Horngren, Thomas and Suwardy (2014). A financial statement is a formal record of the financial activities and performance of an organization during a specific period, typically a fiscal year. These statements are used to provide a snapshot of a company's financial health and are essential tools for assessing its financial condition, making informed decisions, and communicating financial information to stakeholders. According to Olayinka (2022), financial statements present information about the financial position, performance, and changes of an entity in a standardized and accurate form to investors, regulators, proprietors, creditors, security analysts, leading houses, management, government regulatory services and tax authorities, trade unions, customers, and many other stakeholders who rely on financial data for making both financial and

economic decision about the firm. Financial statements are prepared following Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) to ensure consistency and comparability. They are crucial for various stakeholders, including investors, creditors, regulators, management, and analysts, as they provide insights into a company's financial performance, liquidity, solvency, and overall financial well-being.

The statement of changes in equity is also known as the statement of shareholder's equity or statement of retained earnings. Statement of changes in equity refers to the reconciliation of the opening and closing balances of equity in a company during a particular reporting period. It explains the connection between a company's income statement and balance sheet. It includes all transactions not captured in these two financial statements, such as dividend payments, equity withdrawals, accounting policy changes, and corrections of prior period errors. The cash flow statement shows the net cash flows. Net cash flows, or simply cash flows, refers to the current period's cash inflow less the cash outflows Subramanyam and Wild (2009). Simply stated, a cash flow statement is a statement showing changes or movement of cash or cash equivalent during a given period Amedu (2012). According to Olayinka (2022), it shows the solvency and the net change in the firm's liquidity status during a particular period. He also asserts that stable or growing cash flow portrays that the firm is solvency and can cover its short-term debt payments and expenses on demand and also keep up with any long-term debt obligations. The structure of the cash flow also discloses how much cash is generated from operating activities when compared with the financing and investment resources. Normally, an effective liquidity status of a firm is pleasing in investment because it shows the relative amount of assets in cash or which can be quickly converted into cash, available to meet short-term liabilities. Effective liquidity is an indication that the firm is less at risk of loan defaults or bankruptcy. Liquid assets consist of cash and bank balance, debtors, and marketable securities Aminu (2022). According to Eziokwu (2013), an analysis of cash flow is useful for short-term planning. A firm can make projections of cash inflow and outflow for the near future to determine the availability of cash.

Liquidity Analysis

Liquidity refers to the company's ability to meet its obligations with respect to long-term debt. In other words, solvency reflects the company's ability to repay long-term obligations including principal payments and its benefits (Robinson, 2015). Under this, we have:

Current Ratio (working capital ratio): Working capital is the net short-term investment required to support a company's daily operations. The measurement and disclosure of working capital on financial statements have been considered an essential accounting function for decades. Thus, the usefulness of this concept for financial analysis is widely accepted and almost beyond question (Schroeder, Clark and Cathey, 2014). Under this ratio, over-trading and under-trading could result when there is an overinvestment of liquid resources of a firm in illiquid asset such that cash and near cash are so depleted that that maturing obligation could not be met or where there is much underutilization of liquid resources of the firm (Egbunike, 2019).

Quick Ratio (Acid Test Ratio): The quick ratio, which is also known as the acid test, calculates a company's short-term liquidity by subtracting inventory from current assets and then dividing the result by current liabilities. This ratio is more precise than the current ratio as it excludes inventory that the company may not be able to sell. The quick ratio formula is as follows: Quick Ratio = (Current Assets – Inventory) / Current Liabilities (Appah & Odogu, 2016). Working Capital to Total Asset Ratio: As highlighted by Egbunike, "This seeks to determine the

amount of the net working capital that is available for servicing the firm's total assets. It is derived by dividing working capital by total asset" (Egbunike, 2019).

Profitability Analysis

Profitability Analysis: Under this, we have; Return on Equity (ROE): ROE or Return on Equity is a financial metric that measures the net income returned as a percentage of the shareholders' equity. It is considered one of the most widely used measures of corporate financial performance, as it was stated by Rappaport in 1986 and confirmed (Monteiro, 2006). The reason behind its popularity among investors is that it connects the income statement (net profit/loss) to the balance sheet (shareholders' equity) (Ahsan 2012). This statement aims to demonstrate the portion of the company's earnings that is left for the shareholders to receive after all other capital providers have been paid. It is an evaluation of the company's profitability based on the investments made by the business owners (Egbunike, 2019).

Return on Capital Employed (ROCE): The Return on Capital Employed (ROCE) is a profitability ratio that measures how effectively a company uses its capital to generate profits. It is widely regarded as one of the best profitability ratios and is frequently used by investors to assess a company's suitability for investment. ROCE is a financial metric that calculates the return on investment for common shareholders. It takes into account not only the operating expenses like cost of goods sold, selling and administration expenses, and income taxes but also the costs of financing debt and preferred stock that are senior to the common stock. In other words, ROCE measures the return to common shareholders after deducting all expenses, including the costs of financing the company's debts and preferred stocks (Wahlen, Baginski and Bradshaw, 2008).

Return on Asset (ROA): The rate of return on assets (ROA) is a measure of a company's ability to generate earnings through the efficient use of its assets, regardless of how those assets are financed. ROA assesses the company's asset management skills in a given period, taking into account the specific environmental factors and strategic decisions made by the company, such as product markets, operating choices, and financing policies. Importantly, ROA does not consider the financing means and costs of the company's net assets, such as the proportion of debt versus equity financing and their respective costs (Wahlen, Baginski and Bradshaw 2008). Net profit margin: This measure can be referred to as the Net Profit on Sales Ratio. It reflects the percentage of sales revenue that remains after all expenses have been deducted. A lower ratio indicates that operating expenses are significantly reducing the sales revenue. This situation requires implementation of control measures (Egbunike 2019).

Financial Statement Analysis

Financial Statement Analysis is the process of interpreting, applying, and translating the facts and data contained in financial statements to draw relevant conclusions. In the fields of accounting, economics, and finance, performance is typically measured using various ratios, with profitability ratios being among the most commonly used (Egbunike, 2019). These ratios seek to determine the extent to which a company is generating wealth and creating value in both the short and long term, while also ensuring stability and sustainability. Examples of financial ratios include profitability ratios, liquidity ratios, leverage ratios, investment ratios, and efficiency ratios. Profitability ratios are further classified into gross profit margin, net profit margin, return on assets (ROA), return on equity (ROE), and return on capital employed (ROCE), among others. Liquidity ratios include the current ratio, quick ratio, and cash ratio, while leverage ratios encompass the debt ratio, debt-to-equity ratio, interest

coverage ratio, and others. Investment ratios, on the other hand, include the price-earning (P/E) ratio, earnings per share (EPS), dividend per share (DPS), dividend yield, dividend covered ratio, and more. Finally, efficiency ratios measure the inventory turnover period, accounts receivable and payables period, asset turnovers, and more (Abubakar, et. al. 2018; Ajibola et. al. 2018).

Ratio analysis, an accounting technique utilizing financial statements such as balance sheets and income statements, offers valuable insights into a company's financial well-being. It aids in evaluating different aspects of an organization, encompassing profitability, liquidity, and market value.

This analytical method serves as a means to discern the internal workings of a business from an external standpoint since the financial statements necessary for ratio analysis are accessible to the general public. However, it's worth noting that company insiders typically do not heavily rely on ratio analysis, as they already have access to more comprehensive and detailed information, providing them with a more in-depth understanding of the company's financial status.

Empirical Review

Eziokwu (2013) conducted a study to determine the correlation between financial statements and investment decisions, as well as the impact of financial statements on investment decision-making. The formulated hypotheses were tested through a Z-test statistical technique with a 5% level of significance. The results revealed that financial statements have a significant relationship with investment decisions, and ratio analysis is an important tool for making investment decisions based on financial statements. Agboola, and Oyerogba (2013) determined the impact of accounting information on investment in the Nigerian Poultry Agricultural Sector. Descriptive statistics such as mode, median, mean, standard deviation, etc were used to analyze the data. Statistical Package for the Social Sciences (SPSS 20) software was used to calculate these measures. The study found that there was an increase in the number of investments in the agricultural sector in Nigeria over the last three years. The results indicate that the variables; profitability, gearing ratio, and growth opportunity were satisfactory in explaining investment. Rahmat and Ana (2013) analyzed the investment decision-making process based on financial performance. The study aimed to determine the impact of a company's financial health condition (measured by financial performance) and market valuation on investor behavior. The data was gathered from the annual reports of five Indonesian construction companies from 2009 to 2013. The DuPont analysis was used to assess the companies' financial statements and measure profitability. The results suggest that by analyzing a company’s financial performance, and calculating the market-valuation of the companies, it could be used as the fundamental analysis for the investors to make an investment decision, because we might see the healthiness of a company financial condition to predict the future of the company and build the investor confidence to invest on the company to gain optimal return. Popoola, Akinsanya, Babarinde, and Farinde (2014) explored the relationship between published financial statements and investment decisions of commercial banks' stakeholders in Nigeria. The study employed a correlation research design and purposively sampled 180 users of published financial statements from Lagos and Ibadan. The data generated were analyzed using Pearson correlation and regression. The findings of the study revealed that, balance sheet is negatively related with investment decision while income statement, notes to account, cash flow statement and five-year financial summary are positively related with investment decision. Anaja and Onoja (2015) analyzed the impact of financial statements on investment decision-making, using United Bank for Africa PLC as a case study from 2004-2013. The regression

equation showed that the transparency of the bank's financial statements has a significant influence on investment decision-making. The major findings revealed that for an investor to take investment decision using the financial statement of the financial institution the focus is majorly on the profitability of the organization and the profit of the organization which is a function of the assets, liabilities and equity contribution of the owners of the organization, as such the relationship between the profit and asset, liabilities, and equity is very significant for where the investors put their resources. Agung and Andi (2017) analyzing the impact of Return on Asset (ROA), Debt to Equity Ratio (DER), Earnings per Share, and Company size on share return in the real estate and property industry in Indonesia. Out of a population of 50 companies, 35 companies were examined using multiple linear regression analysis to understand the relationships between these variables. Our findings reveal that DER and EPS have a positive and significant impact on share return, while ROA and Company size have a negative and insignificant impact. Ezejiofor, Olise, and John-Akamelu (2017) evaluated the investment value of a Telecommunication firm in Nigeria and compare it with commercial banks in the country. The study used various performance variables such as profitability ratios, dividend coverage ratios, debt-equity ratios, and efficiency ratios. The research design adopted for the study was ipso-facto and time series. The data used for the study were collected from seven years of annual reports from both the Telecommunication firms and commercial banks, which is a secondary method of data collection. The collected data was analyzed using financial ratios, and t-test statistics were utilized to determine if there were significant differences in the mean of Telecommunication firms compared to their commercial bank counterparts. The study found that there are significant differences between the profitability, coverage ratio, debt ratio, and efficiency ratios of telecommunication firms compared to commercial banks in Nigeria. Nur and Deden (2019) conducted a study to analyze the impact of investment decisions, funding decisions, and dividend policies on the firm value of companies in the property and real estate sector listed on the Indonesia Stock Exchange from 2013 to 2016. The study used multiple regression analysis to test the hypothesis and it was found that funding decisions and dividend policies have a significant impact on firm value, while investment decisions is not significant. This research implies that in optimizing firm value can be achieved through the application of financial management functions as well as dividend policy, where one decision can attract investor interest and have an impact on the firm value. Amahalu and Obi (2020) investigated how the quality of financial statements impacts the investment decisions of quoted Deposit Money Banks (DMBs) in Nigeria from 2010-2019. The study aimed to look at the impact of Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability on Return on Equity. Pearson correlation and Ordinary Least Square (OLS) regression analysis were employed. The findings showed that Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability all have a positive and significant effect on the Return on Equity of quoted Deposit Money Banks in Nigeria at a 5% level of significance. It is recommended that organizations ensure the publication of financial statements to attract new investors and build public confidence in the companies involved. Sanyaolu and Odunayo (2020) examined the impact of financial statement analysis on the investment decisions of Nigerian deposit money banks. The researchers used an ex post facto research design and sourced data from the annual reports (secondary data) of the entire 23 listed deposit money banks of the Nigerian Stock Exchange. The sample size of the study was 10 banks, which represents roughly 43% of the entire listed banks. The researchers tested the hypotheses of the study using regression involving fixed-effect. The study found that profitability has a significant positive effect on investment

decision, while financial leverage and liquidity has no significant positive effect on investment decision. Based on the results, the study concludes that financial statement analysis has a significant positive joint effect on investment decision. The researchers recommend that banks should pay close attention to their profitability, as well as their overall financial statement analysis, in order to attract more investment from investors. Rieke (2020) conducted a study analyzing the performance of a company through analytical and experimental methods of investor index companies listed on the Indonesia Stock Exchange (BEI) from 2015 to 2018. The results of statistical tests show that the concept of performance based on Value Based Management (VBM) as measured by Economic Value Added (EVA) and Market Value Added (MVA) has no effect on stock prices in investor companies. Also the results of statistical tests show the concept of performance based on the company's historical data as measured through Return on Equity and (ROE) and Earning per Share (EPS) have an effect on stock prices in investor companies. Saleh and Siti (2020) analyzed the impact of net profit, dividends, debt, cash flow, and net working capital on investment decisions of 24 manufacturing companies that were listed on the Indonesia Stock Exchange from 2017-2019. The study used multiple linear regression tests on SPSS. The results indicated that all the variables had a significant impact on investment decisions. However, only dividends and debt had a significant positive impact individually, while net income, cash flow, and net working capital had a positive but insignificant impact on investment decisions. Aminu (2022) aimed to determine how companies can utilize financial statement analysis (FSA) to aid in funding and investment decisions, and prevent low profitability or investment returns. The researcher used descriptive statistical analytical tools to present the secondary data from the annual report of Nestlé Nigeria Plc. The study concludes that FSA is an effective tool for decision-making, and companies should pay great attention to the use of FSA to properly equip them with this tool and also a combination of different ratios should be used in analyzing a firm's financial performance. A combination of various ratios should be used to analyze the financial performance of a company. The proper use of FSA should not be limited to investment decisions, but also extended to other areas of decision-making. Etim, Ubi, Etukafia and Enang, (2022) examined the impact of financial leverage on the performance of oil and gas companies in Nigeria. The study used panel secondary data from eight companies listed on the Nigerian Stock Exchange between 2006 and 2020. Return on Assets (ROA) was used as the dependent variable, while the four types of financial leverage, namely Debt Ratio (DR), Debt-to-Equity Ratio (DER), Long-term Debt Ratio (LTDR), and Cost of Debt (COD), were used as independent variables. The data analysis technique used was descriptive statistics-mean, and multiple linear regressions. The results showed that DR, LTDR, and COD had negative and significant impacts on ROA, while DER had a negative but insignificant impact. The study concluded that during the period under review, leverage had a negative and significant impact on the financial performance of oil and gas companies in Nigeria.

Methodology

In this study, the selected research design is *Ex-Post Facto*, chosen to explore the relationship between dependent and independent variables through an examination of historical events. The *Ex-Post Facto* design is particularly appropriate for this investigation, as it entails collecting data on past events.

This research investigated how financial statement analysis influences the investment decisions of shareholders in listed deposit money banks in Nigeria spanning from 2013 to 2022.

The study employed a purposive sampling method to select ten deposit money banks, chosen based on the availability of financial reports and audit data during the specified period of investigation. The names of the selected banks are presented in Table 1.

Table 1: Sample Size

1. Access Bank Nigeria Plc.
2. Ecobank Transnational Incorporated Bank Nigeria Plc.
3. Fidelity Bank Nigeria Plc.
4. Guaranty Trust Bank
5. Sterling Bank
6. Union Bank
7. United Bank for Africa Plc.
8. Unity Bank
9. Wema Bank Plc.
10. Zenith Bank Nigeria Plc.

Source: Researcher's Compilation (2023)

Method of Data Collection

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

Model Specification

The model used in the study was adapted from the study carried out by Oshoke and Sumaina (2015) which specified the model below:

$PERFEVA=\alpha+\beta1LIQR+\beta2LEVR+\beta3MKTR+\beta4PROFTR+\mu$ _____eqn (i)

Where:

ROA = Return on asset

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

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

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

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

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

$ESH_{it} = \alpha_0 + \beta_1 LIQA_{it} + \beta_2 PROA_{it} + \mu_{it}$ _____eqn (ii)

Where,

ESH_{it} = Equity shareholding.

$LIQA_{it}$ = Liquidity analysis

$PROA_{it}$ = Profitability analysis

It = for firm i in period t

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

α_0 = constant.

β_{1-2} = coefficients of the predictors

Method of Data Analysis

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

Decision Rule

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

Data Analysis and Result

The primary aim of this study is to investigate the effect of financial statement analysis on shareholders' investment decisions among listed deposit money banks in Nigeria. The specific objectives include exploring the influence of leverage analysis on equity shareholding among these banks, assessing the effect of liquidity analysis on equity shareholding, and determining the effect of profitability analysis on equity shareholding. The data for this study were extracted from the published financial statements of the sampled banks, covering the period from 2013 to 2022, as shown in Appendix A of this research project.

Table 1: Descriptive Analysis

	ESH	**LIQA**	**PROA**
Mean	7.398407	11.01935	0.015097
Median	8.407358	7.197875	0.011698
Maximum	9.833945	86.26324	0.061537
Minimum	-8.445380	0.335359	-0.095318
Std. Dev.	4.038801	12.80661	0.018500
Skewness	-3.638788	2.420004	-2.048169
Kurtosis	14.42370	13.37468	16.62189
Jarque-Bera	764.4338	546.0819	843.0658
Probability	0.000000	0.000000	0.000000
Sum	739.8407	1101.935	1.509700
Sum Sq. Dev.	1614.880	16236.93	0.033881
Observations	100	100	100

For Equity Shareholding (ESH), the mean value is 7.40 with a standard deviation of 4.04, indicating a moderate dispersion of data around the mean. The negative skewness of -3.64 suggests that the distribution is skewed to the left, implying a longer tail on the negative side. The high kurtosis of 14.42 indicates heavy-tailedness and potential outliers in the distribution. The Jarque-Bera test's extremely low probability (0.000) signifies a departure from normality, reinforcing the presence of non-normal distribution characteristics. The maximum value of 9.83 and the minimum of -8.45 reflect the range of equity shareholding, with the data potentially containing extreme values or outliers.

For Liquidity Analysis (LIQA), the mean is 11.02 with a substantial standard deviation of 12.81, indicating a wide dispersion of data around the mean. The positive skewness of 2.42 implies a longer tail to the right, indicating potential outliers or high values. The kurtosis of 13.37 indicates heavy-tailedness and the potential for extreme values. The Jarque-Bera test with a probability of 0.000 rejects the assumption of normality, highlighting non-normal distribution characteristics. The minimum value of 0.34 and the maximum of 86.26 signify a broad range of current ratios, suggesting variations in liquidity levels among the banks.

For Profitability Analysis (PROA), the mean is 0.02 with a small standard deviation of 0.02, indicating a relatively narrow dispersion of data around the mean. The negative skewness of -2.05 suggests a longer tail to the left, indicating potential outliers or low values. The kurtosis of 16.62 reflects heavy-tailedness and the potential for extreme values. The Jarque-Bera test with a probability of 0.000 rejects the normality assumption, indicating non-normal distribution characteristics. The minimum value of -0.10 and the maximum of 0.06 reveal a limited range of return on equity values, suggesting relatively consistent profitability levels among the banks, with potential for outliers on the lower end.

Test of Hypotheses

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

Table 2 Regression Result for Test of Hypotheses

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

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LIQA	0.051724	0.026514	1.950836	0.0540
PROA	90.85974	18.30248	4.964341	0.0000
C	3.531490	0.674354	5.236847	0.0000

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

Source: Analysis Output using Eviews 10 (2024)

The R-squared value of 0.336778 indicates that approximately 33.68% of the variability in shareholders' investment decisions (represented by the natural log of total equity) among listed deposit money banks in Nigeria

can be explained by the combined influence of leverage analysis, liquidity analysis, and profitability analysis. This suggests a moderate level of explanatory power, meaning that the selected independent variables collectively contribute to understanding the variation in equity shareholding.

The Adjusted R-squared, at 0.316052, takes into account the number of predictors and the sample size, providing a more conservative estimate of the model's explanatory power. The F-statistic of 16.24929 is statistically significant with a p-value of 0.000000, indicating that the joint effect of the independent variables (leverage analysis, liquidity analysis, or profitability analysis) significantly contributes to explaining the variance in shareholders' investment decisions. Therefore, the financial statement analysis model has a meaningful impact on understanding and predicting equity shareholding decisions among the studied deposit money banks in Nigeria.

Hypothesis One

H_{01}: Liquidity analysis has no significant effect on equity shareholding among listed deposit money banks in Nigeria.

The coefficient of Liquidity Analysis (LIQA) is 0.051724, which suggests that a one-unit increase in the current ratio corresponds to a 0.051724 increase in equity shareholding. While the relationship is positive, the associated probability of 0.0540 is slightly above the significance level of 0.05, and so means that the relationship between liquidity analysis and equity shareholding decisions is positive but insignificant. The null hypothesis was therefore accepted that Liquidity analysis has a positive non-significant effect on equity shareholding among listed deposit money banks in Nigeria (*p*-value = 0.0540).

Hypothesis Two

H_{02}: Profitability analysis has no significant effect on equity shareholding among listed deposit money banks in Nigeria.

Profitability Analysis (PROA) reveals a substantial coefficient of 90.85974, indicating that a one-unit increase in return on equity results in a significant 90.85974 increase in the natural log of total equity. This positive and highly significant relationship, with a probability of 0.0000 that is less than 0.05, underscores the pivotal role of profitability in shaping shareholders' investment decisions. The findings suggest that deposit money banks with higher profitability, as measured by return on equity, are more likely to attract increased equity shareholding. The alternate hypothesis was accepted that profitability analysis has a significant positive effect on equity shareholding among listed deposit money banks in Nigeria (*p*-value = 0.000).

Discussion of Findings

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

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

Conclusion and Recommendations

Financial statement analysis plays a crucial role in helping investors make informed decisions regarding their investments in listed deposit money banks (DMBs) in Nigeria. Investors often rely on various financial metrics to evaluate the performance and financial health of a company before making investment decisions. For the purpose of this study, liquidity analysis and profitability analysis are two key components of financial statement analysis examined as the factors that influence shareholders' investment decisions. The positive but insignificant effect of liquidity analysis on shareholders' investment decision may be linked to investors' preference for banks that demonstrate strong liquidity positions. Adequate liquidity is perceived as a safeguard against financial distress, instilling confidence among shareholders. Investors are likely to favor DMBs capable of meeting obligations promptly, as this enhances stability and reduces the risk of value erosion in equity holdings.

Finally, the positive effect of profitability analysis on shareholders' investment decision stems from investors seeking banks with sustainable and robust profitability. Higher profits not only provide dividends but also indicate effective management and a strong market position. Banks demonstrating consistent profitability are likely to attract investors aiming for long-term capital appreciation, thus positively influencing equity shareholding. In conclusion, liquidity, and profitability analyses play pivotal roles in shaping shareholders' investment decisions among listed DMBs in Nigeria.

Recommendations

Based on the findings, the following recommendations were provided;

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

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