



## ACCOUNTING INFORMATION SYSTEM AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

**George Tamunotonye Peters and Gift Orokwele Ogonda**

Department of Accountancy, Faculty of Management Sciences, Rivers State University, Port Harcourt, Nigeria.

**Abstract:** This paper investigated the effect of accounting information on the performance deposit money banks in Nigeria. Time series data was collected from financial statements from 2010 to 2017. Return on asset, return on equity, return on investment and net profit margin was modeled as the function of debt equity ratio, retention rate, dividend payment rate, total investment and asset turnover. Multiple regressions with econometric view were used as data analysis methods. Regression coefficient, Durbin Watson, coefficient of determination, F-statistics and T-Statistics was used to determine the effect accounting information and performance of deposit money banks. Model one found that debts equity ratio has negative and significant effect on return on equity. Retention rate, divided payout rate, total investment and asset turnover have positive and significant effect on return on equity. Model two found that debts equity ratio and total investment have positive and significant effect on return on investment while retention rate, dividend payout rate and assets turnover have negative effect on return on investment of commercial banks. Model three found that all the independent variables have negative effect on return on assets of deposit money banks while model four found that that debts equity ratio has negative and significant effect on net profit margin while other variables have positive effect on net profit margin. The study concludes significant effect of accounting information and performance of deposit money banks. We recommend that strategies should be device to manage accounting information.

**Keywords:** *Accounting Information, Performance of Deposit Money Banks, Nigeria*

### 1. INTRODUCTION

The objective of every corporate organization is to make profit and maximize shareholders wealth. Profitability shows how management of profit-making organizations is able accordance with their capabilities and market condition fertilize investor funds and create added value for shareholders (Radevic, Lekpek and Siljkovic, 2013). It is a function of the micro and macro-operating environment. At the micro-operating environment, profitability depends on internal factors which are within the control of the firm such value and relevance of accounting information, financing leverage, capital structure, management quality, investment policy and composition of asset. While at the macro level profitability

depend on the external factors such as the growth of the economy, competition and the market at large.

In Nigeria Section 296 of Companies and Allied Matter Act 2020 as amended mandates all public limited companies to make public the financial status of the firm within a specific accounting period. The role of management as agent to the shareholders gives it obligation to be accountable to the owners. Management is responsible for the preparation of financial statement based on the accounting records of the organization which reflects the nature and operations of the entity and expected to be in conformity with Generally Accepted Accounting Principle (GAAP).

The need for financial reporting and disclosure arises from information asymmetry and conflict of interest between

**European Journal of Accounting, Finance and Investment**

An official Publication of Center for International Research Development

Double Blind Peer and Editorial Review International Referred Journal; Globally index

Available [www.cirdjournal.com/index.php/ejafi/index](http://www.cirdjournal.com/index.php/ejafi/index) E-mail: [ejfai@cird.online](mailto:ejfai@cird.online)



managers and shareholders (Healy and Palepa, 2006). However, the objective of financial reporting is to provide high quality financial information about economic entities that is useful for economic decision making. According to International Accounting Standard Board (IASB), (2008), high quality financial reporting is critical to investors and other stakeholders in making investment, credit and similar decision. The need for adequate fair, reliable, relevant, timely and unbiased financial information is irrefutable in a free enterprise economy. Financial accounting information assists the investors in selecting the best portfolio for their investment (Mishari, 2011). Financial information plays an important role in reflecting investment in the equity share.

In the absence of adequate accounting information, investors would not be in a position to make wise investment decisions, because it will be difficult to distinguish between potentially successful and unsuccessful business (Sharma, 2014). accounting information provide critical information to investors on company's past performance and are used extensively in forecasting future performance and valuations of equity (Mlonzi, Kruger,& Nthoesane,2011). Existing and potential equity share investors often use accounting information to make investment decisions: they often review corporate financial information to review its financial health and operational profitability. This provides information about whether or not investing in the equity share of the company is a wise investment decision. The investors' decisions to buy or not to take stock depend upon financial information and the more investors use financial information, it is expected that rational decisions are made (Shehzad& Ismail, 2014).

The relevant of accounting information has wellbeing acknowledged by researchers, managers and investors, this means accounting information is vital to all organizations and perhaps every organization profit or non -profit oriented organizations. The ability of a manager to use available resources efficiently and effectively depends to a

large extent on the quality of accounting information at the disposal of the management. Hence, the role of accounting information in the success of any business cannot be over emphasized. For an organization to function properly, adequate and timely accounting information that is reliable, accurate and relevant is needed. There are many studies on the effect of accounting information, most of the studies examined accounting information and stock prices of quoted firms in the Nigerian stock exchange (Otieno and Oima, 2013) therefore this paper examined the effect of accounting information on the profitability of quoted commercial banks.

## **2. LITERATURE REVIEW**

### **2.1 Accounting Information System**

Accounting information, as a component of management information, is critical in decision making. This System, according to Bodnar and Hopwood (1995), entails the effective combination of organizational resources in order to provide actionable information for decision making. Accounting information systems, whether manual or computerized, perform this transformation. Furthermore, any organization's accounting information system must be properly designed in order for managers to fully utilize the resources at their disposal in an efficient and effective manner. As a result, it is critical to implement an adequate and timely accounting information system for business management. Accounting practice and study are combined with information system design when creating an accounting information system.

### **2.2 Measurements of Financial Performance**

#### **Return on Assets**

The capital employed must be put to good use. Capital is mobile and will eventually move to where it can generate a competitive return if it is not used productively. ROA is a metric for evaluating the overall efficiency with which assets are used to generate net income from operations. It also reflects management's effectiveness in capital deployment, because it is possible to be efficient while still being poorly positioned in terms of capital utilization.



Return on assets is calculated by dividing profit after tax (PAT) and interest by total assets, and can be interpreted as an income-to-total-assets ratio. Return on assets is most likely the most accurate overall measure of operating performance. It connects the outcomes of operations to the resources used to produce those outcomes. It is also relatively simple to understand.

### **Operating Profit Margin**

The rate of return on assets is the result of combining a financial efficiency metric and a profitability metric. The operating profit margin ratio (OPM) multiplied by the asset turnover ratio yields the rate of return on assets (ATR). The interdependence of these three performance indicators emphasizes the fact that there are two primary approaches to improving the efficient use of resources to generate profit. The first is to increase profit per unit of output. The operating profit margin is a measure of profit per unit of output or product produced. A low-cost producer is one with a high operating profit margin percentage. As a result, management may respond to a low or negative operating profit margin by instituting cost-cutting measures in order to increase profits per unit. Another way to improve performance is to raise the revenue generated per unit of an asset, as measured by the asset turnover rate. Operating profit margin and asset turnover are the two key profit determinants that the general manager must try to influence in order to improve financial performance for a given set of farm resources or farm size. An increase in either or both will result in increased ROA and, in general, better financial performance.

### **Return on Equity**

Debt is an important component of a company's capital structure. Debt provides the resources required to capitalize on profit opportunities. When used wisely, debt can be used to leverage equity capital in a very beneficial financial way. However, financial leverage is unbiased and unforgiving. Debt works just as well against a business when it is used inefficiently as it does for a farm when it is managed wisely. A company must understand whether and

to what extent financial leverage is working for or against their farm business. The rate of return on equity (ROE) is a useful indicator of the performance of debt in the capital structure. The return on equity (ROI) is calculated by dividing net income by shareholder equity. For firms that borrow money, ROE should be greater than ROA. If the ROE does not exceed the ROA, it indicates that the borrowed capital is not earning enough to cover its costs. Alternatively, ROE may be significantly higher than ROA, indicating the potential for additional investments in the firm. ROE is also an excellent indicator of the performance of the firm's invested or equity capital. Investors typically have other investment options in addition to investing in the farm operation and require a basis for evaluating those options. ROE is not a measure of risk-adjusted return. When making head-to-head comparisons, ROE should be adjusted for differences in the perceived riskiness of alternative investments. ROA is related to and has a large influence on ROE. Increasing ROA through management actions that improve operating profit margins and/or asset turnover should have a positive impact on ROE.

## **2.3 Theoretical Framework**

### **Contingency Theory**

According to contingency theory, when designing an accounting information system, it should be flexible enough to accommodate the environment as well as the organizational structure itself. In addition to the foregoing, Gordon and Narayanan (1984) asserted that when making decisions, the specific accounting Information Systems that will suit such decisions must be taken into account. As a result, accounting information should be tailored to the existing framework. Furthermore, Gordon and Narayanan (1984) concluded that environmental uncertainties should be considered when designing an accounting system.

### **Agency Theory**

Conflicts of interest, incentive issues, and systems for controlling incentive problems can all be incorporated into organizational models using the Agency theory. The agency theory, according to David, Julie Smith, et al



(1999), is confronted with a conflicting interest between the principal and agent, resulting in conflicting individual objectives. Compensation contracts reconcile these diametrically opposed goals. As a result, this study is based on these theories because they are relevant in terms of providing information that leads to company profitability.

### **Market Efficiency Theory**

Fama (1965) proposed the efficient market hypothesis, which stated that prices will fully reflect all available information about individual stocks and the stock market as a whole at any point in time. This is due to the fact that when new information is received, it spreads quickly and is immediately incorporated into the prices of securities. Thus, according to the efficient market hypothesis, no market participant has an advantage in forecasting stock price movements because no one has access to information that the entire market does not have. According to the efficient market hypothesis, when investors buy and sell securities, they are playing a game of chance rather than skill. As a result, outperforming the market is impossible because prices normally incorporate and reflect all relevant information in the market. The efficient market hypothesis is concerned not only with the type and source of information, but also with the speed and quality with which it is disseminated among investors. This aids in casting doubt on the type of information available and incorporated into stock prices (Kehinde, 2012). According to Amiri, Ravanpaknodezh, and Jelodar (2015), an efficient market is one in which stock prices are adjusted to newly issued information and such information is used for pricing so that an investor can be confident that securities are valuable at the market price and the price reflects relevant financial information that affects stock prices.

According to the Efficient Market Hypothesis (EMH), a stock market that is operationally efficient is expected to be externally and informationally efficient; thus, security prices at any point in time are an unbiased reflection of all available information on the security's expected future cash

flows and the risk involved in owning such a security (Reilly and Brown, 2003). According to Fama (1970), as cited in Mgbame and Ikhatua (2003) and Kehinde (2012), information items are classified into three levels based on how quickly the information is incorporated into stock prices: (1) EMH with a weak form, (2) EMH with a semi-strong form, and (3) EMH with a strong form.

### **Hypothesis of Mixed Distribution**

Clark (1973) and Epps and Epps (1976) developed the Mixed Distribution Hypothesis (MDH), which provides an alternative volatility-volume relationship in which the relationship is critically dependent on the rate of information flow into the market. The model assumes that the joint distribution of volume and volatility is affected by information arrival. According to the hypothesis, all traders receive the new price signals at the same time, resulting in an immediate shift to the new equilibrium with no intermediate partial equilibrium. This is in contrast to the sequential information arrival hypothesis, which assumes an intermediate equilibrium on the way to the final equilibrium. However, according to the mixture of distribution hypothesis, there should be no information content in past volatility data that can be used to forecast volume because these variables change in real time in response to new information. As a result, both volatility and volume change at the same time in response to the arrival of new information.

### **The Hypothesis of Sequential Information Arrival**

Copeland (1976) developed this model, which was later advanced by Jennings, Starks, and Fellingham (1981), and it relates to the observed relationship of volume and volatility to private information. An individual trader receives a signal ahead of the market and trades on it, resulting in volume and price volatility. As a result, volatility and volume move in lockstep. Traders adjust their trading positions as new information enters the market. Because not all traders receive new information at the same time, each trader's reaction to this information represents an incomplete equilibrium. As a result, the final



market equilibrium is established once all traders have received the information and made a trading decision based on it. According to the sequential information arrival hypothesis, a lead-lag relationship between volume and volatility exists only in the presence of information. The sequential information arrival hypothesis differs from the mixture of distribution hypothesis in that it proposes a positive causal relationship between volumes and returns in both directions, implying that one determines the other. However, among all of the aforementioned theories, the market efficiency theory and the market relevance theory have been chosen as significant to this study because they are based on the assumption that prices will fully reflect all available information about individual stocks and the stock market, and that accounting numbers summarize the available information underlying the stock prices.

#### **2.4 Empirical Review**

Nzomo (2013) used a descriptive research design to investigate the impact of AIS on automobile company effectiveness in Kenya. The study gathered both primary and secondary data for analysis. Interviews and questionnaires were used to collect primary data. According to the study's findings, (AIS) is an important mechanism for companies' effective management.

Biwott (2015) conducted a study on the implementation of integrated financial management information systems (IFMIS) and its impact on public procurement. His goal was to establish an IFMIS implementation procedure at the national government as well as to identify the factors influencing implementation in the public sector. The study used a cross-sectional survey research design and targeted a population of 18 national government ministries. Data was gathered through primary sources and a questionnaire based on a five-point Likert scale, as well as oral interviews. The qualitative data was examined using content analysis, and the quantitative data was examined using SPSS.

Odero (2014) conducted research with the goal of determining the impact of AIS quality on the financial

performance of SMEs. The study's target population was within Nairobi County, and it used a descriptive study design. A sample of 50 businesses was taken into account. SPSS version 20 was used to analyze the data collected. The researcher concluded that there is a very strong positive relationship between AIS quality and SMEs' financial performance.

Otieno and Oima (2013) investigated the impact of computerized financial accounting systems on audit risk management. The study used an exploratory survey design that was both longitudinal and cross-sectional using questionnaires. In Kisumu County, a sample of 41 public enterprises was used. A descriptive analysis was carried out. The conclusion was that there is a positive relationship between the computerized accounting system used and the enterprise's audit risk administration policy.

Sugut (2014) conducted research on the impact of computerized financial accounting on the value of non-governmental organizations' financial statements (NGOs). The intended audience consisted of non-governmental organizations (NGOs) in Nairobi County, Kenya. The descriptive survey and primary data collection methods were used in the research design. The sample of 100 non-profit organizations was chosen using non-proportional quota sampling. SPSS was used to analyze the data, which was then presented in tables and graphs.

Njeru (2016) examined how IFMIS implementation leads to effective management practice in Lamu and Nairobi counties. He used the correlation research design. He used SPSS to analyze primary data. The random stratified and purposive sampling methods were used in the study. According to the research findings, IFMIS leads to effective administration practice.

Njihia and Mwirigi (2014) investigated the impact of ERP systems on firm performance in Kenyan commercial banks. The descriptive study design was used, and questionnaires were used to collect primary data. The collected data was analyzed with SPSS V 20 and presented in graphs and tables. In order to test the hypothesis, the Chi



square test was used. According to the study's findings, financial resource availability, employee perception, management support, and regulatory requirements all have an impact on ERP implementation and, as a result, firm performance.

Onalapo and Odetayo (2012) conducted a study to determine the impact of AIS on the effectiveness of firms in decision making. The research was conducted in Abuja, Nigeria. The study used a technique known as purposive sampling. In the analysis, descriptive and inferential statistics tools were used. They came to the conclusion that AIS has an impact on organizational effectiveness.

Azhar (2016) conducted a research study with the goal of gathering empirical evidence on the impact of internal control systems used within an accounting information system. Pandadjaran University in Indonesia conducted the research. The study used 59 samples and both primary and secondary data. Structured equation modeling was used to analyze the data. The findings revealed that internal control has an impact on information quality.

Alshebeil (2010) conducted research to determine the role of (AIS) in achieving a competitive advantage for Jordanian banks. According to the study's findings, AIS had a statistically significant impact on realizing the magnitudes of competitive advantage through improved pricing and cost reduction of banking services.

Ali, Bakar, and Omar (2016) conducted a study to investigate the effect of AIS on organizational

performance as it is moderated by organizational culture. The data was collected using a questionnaire with a sample population of 273 respondents from the Jordanian banking sector, and the data was analyzed using the PLS SEM technique. The research findings concluded that service quality and system quality are important success factors for accounting information systems.

Qatani and Hezabr (2015) investigated the use of AIS to improve the value chain of a business organization. A total of 50 people were interviewed. The researchers used primary data and questionnaires to collect information. Based on the findings, the two concluded that there is a need to improve the level of basic AIS components in Bahrain. Management must place a premium on employee training and education.

### 3. RESEARCH METHODOLOGY

This study made use of time series modeling econometric methods. It is analytical and empirical in nature, with secondary data used. Secondary sources were used. Financial statements and annual reports of Nigerian commercial banks were used as secondary sources of data in the study. The model used in this study was developed using theories and empirical studies. The model developed by Essien et al., (2016) on the empirical analysis of the macroeconomic impact of public debt in Nigeria is used in this study. In this study, we use the models listed below:

$$ROE = \beta_0 + \beta_1 DER + \beta_2 RR + \beta_3 DPR + \beta_4 TI + \beta_5 AT + Et \quad 1$$

$$ROI = \beta_0 + \beta_1 DER + \beta_2 RR + \beta_3 DPR + \beta_4 TI + \beta_5 AT + Et \quad 2$$

$$ROA = \beta_0 + \beta_1 DER + \beta_2 RR + \beta_3 DPR + \beta_4 TI + \beta_5 AT + Et \quad 3$$

$$NPM = \beta_0 + \beta_1 DER + \beta_2 RR + \beta_3 DPR + \beta_4 TI + \beta_5 AT + Et \quad 4$$

**Where:**

ROE = Return on Equity

ROI = Return on Investment

**European Journal of Accounting, Finance and Investment**

An official Publication of Center for International Research Development

Double Blind Peer and Editorial Review International Referred Journal; Globally index

Available [www.cirdjournal.com/index.php/ejafi/index](http://www.cirdjournal.com/index.php/ejafi/index) E-mail: [ejfai@cird.online](mailto:ejfai@cird.online)



---

ROA	=	Return on Assets
NPM	=	Net Profit Margin
DER	=	Debt Equity Ratio
RR	=	Retention Rate
DPR	=	Dividend Payout Rate
TI	=	Total Investment
AT	=	Asset Turn Over
Et	=	Error Term
$\beta_0$	=	Regression Intercept
$\beta_1- \beta_5$	=	Coefficient of the Independent Variables to the Dependent Variables

### 3.1 Method of Data Analysis

The multiple linear regressions using the ordinary least square method will be used for data analysis in this study. This quantitative approach includes tables and the test for hypotheses formulated using ordinary least squares with Econometric View regression analysis at a 5% level of significance.

Furthermore, in order to determine the reliability of the results obtained and the coefficient of correlation ( $r$ ) of the regression, the coefficient of determination ( $r^2$ ), and the coefficient of determination ( $r^2$ ), the student T-test and F-test were used. Coefficient of Determination ( $r^2$ ) Test – this assesses the independent variables' explanatory power on the dependent variables. For example, we used the coefficient of determination to determine the proportion of economic growth in our model. The coefficient of determination ranges from 0.0 to 1.0. A coefficient of determination of 0.20 indicates that the independent variable explains 20% of the change in the dependent variable(s).

F-Test: This measures the overall significance. The extent to which the statistic of the coefficient of determination is statistically significant is measured by the F-test. The F-test can be done using the F-statistic or by the probability estimate. We use the F-statistic estimate for this analysis. Student T-test: measures the individual statistical significance of the estimated independent variables at 5% level of significance. Durbin Watson Statistics: This measures the colinearity and autocorrelation between the variables in the time series. It is expected that a ratio of close to 2.00 is not auto correlated while ratio above 2.00 assumed the presence of autocorrelation. Regression coefficient: This measures the extent in which the predictor variables affect the dependent variables in the study. Probability ratio: It measures also the extent in which the predictor variables can explain change to the dependent variables given a percentage level of significant.



#### 4. PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

**Table I: Accounting Information and Return on Equity**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-10.29576	1.983895	-5.189669	0.0001
RR	7.794711	1.827591	4.265018	0.0007
DPR	6.397484	1.547293	4.134629	0.0009
TI	4.783423	1.236485	3.868564	0.0015
AT	3.085424	0.902190	3.419929	0.0038
C	-0.297879	0.376476	-0.791231	0.4411
R-squared	0.758095	Mean dependent var		0.073913
Adjusted R-squared	0.538539	S.D. dependent var		6.910875
S.E. of regression	1.713298	Akaike info criterion		4.182925
Sum squared resid	44.03084	Schwarz criterion		4.577880
Log likelihood	-40.10364	Hannan-Quinn criter.		4.282255
F-statistic	8.992944	Durbin-Watson stat		1.826907
Prob(F-statistic)	0.000000			

Source: Extract from E-View 9.0, 2021

**Table II: Accounting Information and Return on Investment**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.102821	1.021570	0.100650	0.9207
RR	-0.001753	0.083684	-0.020942	0.9835
DPR	-0.148151	4.944922	-0.029960	0.9763
TI	0.085633	1.582983	0.054096	0.9573
AT	-0.031014	1.022580	-0.030329	0.9761
C	3.472043	114.6007	0.030297	0.9761
R-squared	0.730374	Mean dependent var		16.37500
Adjusted R-squared	0.680900	S.D. dependent var		5.659021
S.E. of regression	2.648883	Akaike info criterion		4.998471
Sum squared resid	168.3979	Schwarz criterion		5.364905
Log likelihood	-71.97554	Hannan-Quinn criter.		5.119934
F-statistic	6.783956	Durbin-Watson stat		1.191105
Prob(F-statistic)	0.000000			

Source: Extract from E-View 9.0, 2021



**Table III: Accounting Information and Return on Assets**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.117413	0.080579	-1.457113	0.1599
RR	-0.546743	0.169074	-3.233753	0.0040
DPR	-0.103964	0.163877	-0.634402	0.5327
TI	-0.449719	0.167321	-2.687764	0.0138
AT	-0.474231	0.177495	-2.671799	0.0143
C	3.458424	1.516218	2.280954	0.0331
R-squared	0.506118	Mean dependent var		0.455556
Adjusted R-squared	0.388527	S.D. dependent var		1.986170
S.E. of regression	1.553121	Akaike info criterion		3.911539
Sum squared resid	50.65585	Schwarz criterion		4.199503
Log likelihood	-46.80578	Hannan-Quinn criter.		3.997166
F-statistic	4.304052	Durbin-Watson stat		2.204269
Prob(F-statistic)	0.007490			

Source: Extract from E-View 9.0, 2021

**Table IV: Accounting Information and Net Profit Margin**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-3.412496	0.733013	-4.655434	0.0002
RR	1.848900	0.615176	3.005484	0.0070
DPR	1.570979	0.520608	3.017583	0.0068
TI	1.217658	0.408570	2.980291	0.0074
AT	0.472507	0.240502	1.964674	0.0635
C	2.179509	3.083007	0.706943	0.4878
R-squared	0.776109	Mean dependent var		0.352692
Adjusted R-squared	0.720136	S.D. dependent var		29.20116
S.E. of regression	15.44805	Akaike info criterion		8.512017
Sum squared resid	4772.845	Schwarz criterion		8.802347



---

Log likelihood	-	Hannan-Quinn criter.	8.595621
	104.6562		
F-statistic	13.86582	Durbin-Watson stat	2.043904
Prob(F-statistic)	0.000006		

---

Source: Extract from E-View 9.0, 2021

### Discussion of Findings

The result presentation in table one revealed the effect of accounting information on the return on equity of Nigeria commercial banks. The result proved that the independent variables as formulated in the model can explain 75 and 53 percent variation on return on equity of Nigerian deposit money banks. The F- statistics and probability found that the model is significant. The Durbin Watson statistic found the absence of serial autocorrelation among the variables. The beta coefficient of the variables proved that debts equity ratio has negative and significant effect on return on equity. The negative coefficient of 10.295 proved that a unit increase will reduce return on equity by 10.2 percent. This finding is contrary to expectation of our results. However, retention rate, divided payout rate, total investment and asset turnover have positive and significant effect on return on equity such as a unit increase will increase return on equity by 7.7, 6.3, 4.7 and 3.0 percent.

As shown in table two revealed the effect of accounting information on the return on investment of Nigeria commercial banks. The result proved that the independent variables as formulated in the model can explain 73 and 68 percent variation on return on investment of Nigerian deposit money banks. The F- statistics and probability found that the model is significant. The Durbin Watson statistic found the absence of serial autocorrelation among the variables. The beta coefficient of the variables proved that debts equity ratio and total investment have positive and significant effect on return on investment while retention rate, dividend payout rate and assets turnover have negative effect on return on investment of commercial banks.

Table three revealed the effect of accounting information

on the return on assets of Nigeria commercial banks. The result proved that the independent variables as formulated in the model can explain 50 and 38 percent variation on return on assets of Nigerian deposit money banks. The F- statistics and probability found that the model is significant. The Durbin Watson statistic found the absence of serial autocorrelation among the variables. The beta coefficient of the variables proved that debts all the independent variables have negative effect on return on assets of deposit money banks. As shown in table four revealed the effect of accounting information on net profit margin of Nigeria commercial banks. The result proved that the independent variables as formulated in the model can explain 77 and 72 percent variation on net profit margin of Nigerian deposit money banks. The F- statistics and probability found that the model is significant. The Durbin Watson statistic found the absence of serial autocorrelation among the variables. The beta coefficient of the variables proved that debts equity ratio has negative and significant effect on net profit margin while other variables have positive effect on net profit margin. This finding confirms the a-priori expectation of this study and validates empirical findings of Odero (2014) that there exists a very strong positive connection between AIS quality with financial performance of SMEs, Otieno and Oima (2013) that there is a positive association amid the computerized accounting system employed and audit risk administration policy within the enterprises.

### 5. CONCLUSION AND RECOMMENDATIONS

#### Conclusion

This study investigated the effect of Accounting Information on profitability of Nigeria commercial banks listed on Nigeria Stock Exchange from 2010 to 2017, using



multiple linear regressions. The R-squared coefficient of determination was adopted to show the degree of variation of profitability that is explained by the explanatory variable. Also, the T-Statistic and F-statistic were adopted to show the degree at which the independent variable affects the dependent variable. This study selected 10 commercial banks for the period 2010–2017. The regression analysis reveals a significant and positive effect of accounting information on profitability. The resulting evidence suggests that accounting information parameters have significant influence on profitability and they have joint explanatory power in determining profitability indicators. The study concluded that the firms that increase information disclosure transparency can increase accounting earnings; thereby, increasing profitability.

#### **Recommendations**

On the basis of the above conclusions, we make the following recommendations:

More effort should be directed towards the production of good quality accounting information in all the commercial banks in Nigeria in order to improve financial performance. Such information should be free from systematic or deliberate bias, material or significant error, complete and not fraudulent with high levels of predictive and confirmatory value. Accounting practices that tend to over or understate, or even delay the reporting process should also be avoided.

Commercial banks in Nigeria are advised to employ highly skilled competent professional accountants to generate the financial information. Training workshops and seminars aimed at sensitizing commercial bank's accounting and record keeping staff and other key decision makers should be organized. This would enhance awareness of stakeholders of the need for good, quality, reliable and timely information to enhance proper financial management practices.

In order to ensure that the commercial banks have quality understandable reports; they should invest in computerized accounting system since it is seen to affect the financial

reports to a great extent. Based on the findings of the study an adoption of computerized accounting information system is advisable for all firms in a bid to ensure correctness in reporting and general record management as enterprises that had this system showed an increase in return on investment as opposed to those that had a manual system. The utilization of AIS needs to be regulated by firms' management.

#### **REFERENCES**

- Abiahu, M.F.C. & Amahalu, N.N. (2017). Effect of taxation on dividend policy of quoted deposit money banks in Nigeria (2006-2015). *EPH - International Journal of Business and Management Science*, 1-30.
- Adaramola, A.O., & Oyerinde, A.A. (2014).value relevance of financial accounting information of quoted companies in Nigeria: a trend analysis. *Research Journal of Finance and Accounting*, 5(8), 20-35.
- Amahalu, N.N., Agbionu, U.C., & Obi, C.J. (2017). Effect of human resource accounting on profitability of selected quoted telecommunication firms in Nigeria. *Contemporary Issues in Business Management: A Multidisciplinary Approach*, 410-443.
- Amahalu, N.N., Nweze, C.L., & Obi, J.C. (2017). Effect of backflush accounting on financial performance of quoted food and beverage firms in Nigeria. *EPH – International Journal of Medical and Health Science*, 2(3), 58-80
- Amiri, A., Ravanpaknodezh, H., & Jelodar, A. (2015). A survey of the relationship between stock price volatility and a variety of companies on the Stock Exchange (case study: the companies listed on Tehran Stock Exchange). *GMP Review*, 16, 21-34.



- Ball, R., & Brown, P. (1968). An empirical evaluation of accounting income numbers. *Journal of Accounting Research*, 6(2), Autumn, 159-178.
- Dung N.V. (2010). Value relevance of financial statement information: a flexible application of modern theories to the Vietnamese stock market. *Working paper (Foreign Trade University)*.
- Fadia B., Ahmad, A., & Mohammad S. A. (2015). The effect of fair value accounting on Jordanian investment properties. *International Journal of Financial Research* 6(4), 1-13.
- Fama, E. F. (1965). The structure of stock market returns, *Journal of Business*, 38(1), 12-19
- Glezakos, M., Mylonakis, J., & Kafouros, C. (2012). The Impact of accounting information on stock prices: Evidence from the Athens Stock Exchange. *International Journal of Economics and Finance*, 4(2), 21-41.
- Hossain, D. M., Khan, A., & Yasmin, I. (2004). The nature of voluntary disclosures on human resource in the annual reports of Bangladeshi companies. *Journal of Business Studies*, 25(1), 221-231.
- Hwei Cheng Wang, H.C., & Chang, H.J. (2008). The association between accounting information disclosure and stock price. *Global Journal of Business Research*, 2(2), 1-10.
- Idekwelim, P. C. (2014). *Teach yourself IFRS*. Lagos state, Piccas Global Concept. Ijeoma N. B. 2015. Value relevance of accounting information on share prices of listed firms. *Social and Basic Sciences Research Review*, 3,(10), 328-344.
- Jinbu, Z., & Yutao Wang (2016). Accounting information quality, governance efficiency and capital investment choice. *China Journal of Accounting Research* 9, 251–266.
- Junjie W., Gang F., & Chao L. (2013). Accounting information and stock price reaction of listed companies : Empirical evidence from 60 listed companies in Shanghai Stock Exchange. *Journal of Business and Management* 2(2), 11- 21.
- Kehinde, S.J. (2012). Share price change: The efficient market hypothesis and the whitenoise hypothesis dichotomy. *International Journal of Humanities and Social Science*, 2(22), 18-31.
- Khan, K.I. (2012). Effect of dividends on stock prices– A case of chemical and pharmaceutical industry of Pakistan. *Management*, 2(5), 22-30.
- Khanagha, J. (2011). Value relevance of accounting information in the United Arab Emirates. *International Journal of Economics and Financial Issues*, 1(2), 33-45.
- Mazhar H. & Arshad H. (2010). Accounting information and abnormal returns: An empirical evidence of Pakistani Stock Market. *International Journal of Arts and Commerce*. 1(2), 23-36.
- Menike, M.G., & Man, W. (2013). Stock market reactions to the release of annual financial statements case of the banking industry in Sri Lanka. *European Journal of Business and Management*, 5(31), 15-22.
- Mgbame, C.O., & Ikhatua J.I. (2013). Accounting



- information and stock price volatility in the Nigerian capital market: A garch analysis approach. *International Review of Management and Business Research*, 2(1), 20-34.
- Muhammad A. & Kashif A. (2016). Impact of Accounting Information on Share Price: Empirical Evidence from Pakistan Stock Exchange. *International Finance and Banking*, 3,(1), 124-135
- Okafor, C.A., & Mgbame, C.O. (2011). Dividend policy and share price volatility in Nigeria. *Journal of Research in National Development*, 9(1), 17-21.
- Okoye, E.I., Amahalu, N.N., Nweze, C.L., & Obi J.C. (2016). Effect of financial leverage on dividend policy of quoted conglomerates. Managing diversification for sustainable development in sub-saharan Africa. *Faculty of Management Sciences, 2016 International Conference*, 8-10.
- Olugbenga, A.A., & Atanda, O.A. (2014). Value relevance of financial accounting information of quoted companies in Nigeria: A trend analysis. *Research Journal of Finance and Accounting*, 5(8),15-20
- Osundina, J. A., Jayeoba, O.O., & Olayinka, I.M. (2016). Impact of accounting information on stock price volatility (a study of selected quoted manufacturing companies in Nigeria). *International Journal of Business and Management Invention*, 5(11), 41-54.
- Paul, A.A., & Juliana, M. (2015). Relationship between accounting information and stock market returns on the Nigerian Stock Exchange. *Management and Administrative Sciences Review*, 4(1),21-30.
- Pushpa, B. & Sumangala J.K. (2012). Impact of earnings per share on market value of an equity share: An Empirical study in Indian capital market. *Journal of Finance, Accounting and Management*, 3(2), 1-14.
- Ryan C. F. (2017). How do you calculate return on equity (ROE)? *Investopedia*  
<http://www.investopedia.com/ask/>
- Seetharaman, A., & Raj, J.R. (2011). An empirical study on the impact of earnings per share on stock prices of a listed bank in Malaysia. *The International Journal of Applied Economics and Finance*, 5(3), 25-30.
- Serife, O., & Ugur, E. (2012). Internal determinants of the stock price movements on sector basis. *International Research Journal of Finance and Economics*, 92.
- Udayan S K., Bhavik U S., & Shailja C T. (2014). Accounting information and stock price reaction of listed companies: Empirical evidence from all listed companies from NSE in oil and gas sector. *International Journal of Research and Development in Technology and Management Science*, 21(5), 1-11.
- Umar, M.S., & Musa, T.B. (2013). Stock prices and firm earning per share in Nigeria. *Journal of Research in National Development*, 11(2), 21-33.
- Azhar, s., (2016). The effect if Internal control on accounting information System. *International Business Management* 10(23): 5523-5529.
- Biwot, E. (2015). Integrated Financial management information systems implementation on public procurement in Kenya. *Unpublished MBA Report of the University of Nairobi*.



- Njeru, P.(2016). An assessment of integrated financial management information system implementation towards effective management practice in Nairobi and Lamu counties-thesis.
- Njihia, E., & Mwirigi .F (2014). The effects of enterprise resource planning systems on firm's performance: a survey of commercial banks in Kenya International. *Journal of Business and Commerce*, 3(8),120-129.
- Nzomo, S. (2013). Impact of accounting information system on organizational effectiveness of auto mobile companies in Kenya.*Unpublished MBA Report of the University of Nairobi.*
- O'Brien, J., & G.M. Marak, (2010). Introduction to information systems. *15th Edn, McGraw Hill, New York, USA.*
- Odero, A. (2014).Effect of accounting information system quality on financial performance on SMEs in Nairobi County.*Unpublished MBA Report of the University of Nairobi.*
- Otieno, P. & Oima, D. (2013).Effect of computerized accounting systems on audit risk management in public enterprises, a case of Kisumu County.*International Journal of Education and Research*. 1 (5),11-20.
- Etim, E. O. (2011). Enhancing the Efficiency of Accounting Information System in Organizations, *International Journal of Economic Development Research and Investment*, Vol. 2, No. 2
- Grande, Estebanez and Colomina (2011). The impact of Accounting Information Systems (AIS) on performance measures: empirical evidence in Spanish SMEs. *The International Journal of Digital accounting Research*, 11(1), 25-43.
- Raquel, P., Estébane.; U. Grande, E.; & Muñoz, C.I. (2010). Information Technology implementation for continuous improvement: Empirical evidence in Spanish SME's.*International Journal of Accounting and Information Management*,18(1), 39-57.