



## **Internship Report On**

# **The Effect of Financial Reporting on Investment Decision Making at Salam Somali Bank**

### **Supervised by**

**Dr. F. A. Sobhani**  
Professor  
Daffodil International University

### **Prepared by**

**Hashim Ali Siad**  
ID: 172-14-2494  
Program: MBA  
Major: Finance  
Department of Business Administration  
Faculty of Business and Economics  
Daffodil International University

Date of submission: 25 May 2018

## LETTER OF TRANSMITTAL

**Date: 21<sup>th</sup>May2018**

Dr. F. A. Sobhani

Professor, Daffodil International University

Faculty of Business and Economics

Daffodil InternationalUniversity

**Subject: - Submission of Thesis Paper**

**Dear Sir,**

With due respect, I'm glad to submit my thesis paper entitled "The Effect of Financial Reporting on Investment Decision Making at Salam Somali Bank in Mogadishu-Somalia" as a partial fulfillment of Master of Business Administration. It is an immense pleasure to complete this thesis within due time under your guidance and supervision. While conducting this research all instructions and guidelines were duly followed.

A sincere time was spent and all necessary effort was made to complete this research in a feasible and realistic way, with hope that this thesis will meet all the requirements and expectations.

Thank you

Yours Sincerely,

.....

Hashim Ali Siad

ID No: 172-14-2494

MBA Program (Finance)

Faculty of Business andEconomics

Daffodil InternationalUniversity

“©Daffodil international university”

## DECLARATION

I hereby declare that this submission is my own work in completion of the program of Master of Business Administration, major in Finance, and that to the best of my knowledge, it's my work and it contains no material previously published by another person nor it has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

Hashim Ali Siad

ID: 172-14-2494

Signature .....

Date .....

## LETTER OF ACCEPTANCE

This is to certify that the report entitled “The Effect of Financial Reporting on Investment Decision Making at Salam Somali Bank in Mogadishu-Somalia” has been prepared by **Hashim Ali Siad** ID No: **172-14-2494**, Department of Business Administration, Faculty of Business and Economics Daffodil International University under my supervision. As declared by him, the data and findings presented in this paper seems to be authentic. Thus, the thesis paper has been approved for presentation.

I wish him every success in life.

.....

**Professor Dr. Farid A. Sobhani**

Faculty of Business and Economics

Daffodil International University

## ACKNOWLEDGEMENTS

Foremost, I am very grateful to Almighty our Allah for sparing my life and seeing me through my years of education. I dedicate this work to God Almighty. He has been the wind beneath my wings. His Grace and Mercy has brought me thus far and I am proud and grateful.

My deepest appreciation and thanks go to my respected guide and supervisor Professor Dr Farid A. Sobhani Dean of HRDI Daffodil international University, for his guidance and encouragement that helped me stay focused and complete from the beginning of this work to the end. Without his effort this thesis would not have been made possible. It was his persistency and consistency which kept me on track. Thank you for your remarkable efforts.

I am highly indebted to Professor DR Farid A. Sobhani for his guidance, encouragement and utmost support throughout my program to see me successful. My regards go to Professor ZakirHossain, Dean and Director Education of Daffodil International University, for his guidance and encouragement.

My warm regards also goes to my caring and unwavering lecturers who are the reason why who I am now, Mr. Md. Masum Iqbal, Assistant Professor Dean of faculty Business and Economics, and the entire faculty members of Business and Economics of Daffodil International University for their guidance and support. Surely, you will remain unforgettable.

I also want to thank the employees and managers of Salam Somali Bank for providing me with necessary information's to enable me make it possible and complete my Project.

Special gratitude to my beloved and best ever family firstly my beloved father Ali Siad Borre and My beloved mother Muslimo Ibrahim Afrah and also beloved brothers and sisters specially Abukar Ali Siad and my beloved sister Duniya Abdullahi.

Finally, special thanks Md. Masum Iqbal Dean offaculty Business and Economics, of Daffodil International University for their guidance and support. Surely, you will remain unforgettable.

“©Daffodil international university”

## **ABSTRACT**

The purpose of this study is to investigate the Effect of Financial Reporting on Investment Decision Making in Salam Somali Bank in Mogadishu- Somalia. This study conducted through Survey research design. The target population of this study was employee and managers of Salam Somali Bank, and the sample size consisted of 80 respondents. The data was extracted from the Salam Somali Bank Mogadishu- Somalia through questionnaire, and the data analyzed by using SPSS. The study found financial report has impact on the Investment Decision Making; this means if there is good financial report can take effective Investment decision making. The study recommended that a professional accountant should be employed by the firms in order to provide valuable information and keep accurate record of the firms' account and effective management decision making.

## TABLE OF CONTENTS

	<b>Page</b>
<b>LETTER OF TRANSMITTAL</b> .....	2
<b>LETTER OF AUTHORIZATION</b> .....	Error! Bookmark not defined.
<b>LETTER OF ACCEPTANCE</b> .....	4
<b>1.0 INTRODUCTION</b> .....	9
<b>1.1 BACKGROUND OF STUDY</b> .....	9
<b>1.2 STATEMENT OF THE PROBLEM</b> .....	13
<b>1.3 PURPOSE OF THE STUDY</b> .....	14
<b>1.4 OBJECTIVE OF THE STUDY</b> .....	14
<b>1.4.1 General objective</b> .....	14
<b>1.3.2 Specific objectives</b> .....	14
<b>1.5 SCOPE OF THE STUDY</b> .....	14
<b>1.6 SIGNIFICANCE OF THE STUDY</b> .....	14
<b>CHAPTER TWO</b> .....	16
<b>2.0 INTRODUCTION</b> .....	16
<b>2.1 CONCEPTS AND DEFINITION OF FINANCIAL REPORTING</b> .....	16
<b>2.1.1 External Financial Reports:</b> .....	17
<b>2.1.2 Internal reports</b> .....	17
<b>2.1.3 STATEMNET OF FINANCIAL POSITIOM</b> .....	17
<b>2.2 THEORETICAL PROSPECTIVES</b> .....	20
.....	1
.....	23
<b>CHAPTER THREE</b> .....	25
<b>METHODOLOGY</b> .....	25

<b>3.0 INTRODUCTION.....</b>	<b>25</b>
<b>3.1 RESEARCH DESIGN .....</b>	<b>25</b>
<b>3.2. RESEARCH POPULATION .....</b>	<b>26</b>
<b>3.3. SAMPLE SIZE.....</b>	<b>26</b>
<b>3.3.1. Sample Frame.....</b>	<b>27</b>
<b>3.3.1 Sampling Procedure.....</b>	<b>27</b>
<b>CHAPTER FOUR: ANALYSIS AND INTERPRETATION-----</b>	<b>30</b>
<b>4.1 INTRODUCTION.....</b>	<b>32</b>
<b>4.2 Demographic information .....</b>	<b>32</b>
<b>4.3 Profile of the respondents.....</b>	<b>32</b>
<b>Table 4.1: Gender of respondents.....</b>	<b>33</b>
<b>Table 4.2: Age of respondents .....</b>	<b>35</b>
<b>TABLE 4.3: Educational level of the respondents.....</b>	<b>37</b>
<b>TABLE 4.5.1 Financial Report it will benefit to investors and other users of financial statements. ....</b>	<b>41</b>
<b>TABLE 4.5.2 the benefit of positive effects of financial report are more than negative ..</b>	<b>42</b>
<b>Table 4.5.3 it describes certain attributes of a bank that is considered to fairly represent its financial activities.....</b>	<b>44</b>
<b>Table 4.6.1 Future benefits of investment are difficult to measure and cannot be predicted with certainty.....</b>	<b>49</b>
<b>Table 4.6.2 Risk in investment arises because of the uncertain returns. ....</b>	<b>50</b>
<b>Table 4.6.3; Financial report participate reduce the cost of investments.....</b>	<b>51</b>
<b>Chapter five findings and Recommendation-----</b>	<b>54</b>
<b>5.2 FINDINGS .....</b>	<b>56</b>
<b>5.3 CONCLUSIONS .....</b>	<b>57</b>
<b>REFERENCES.....</b>	<b>59</b>



## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 BACKGROUND OF STUDY

Over the last few decades, it is believed that the financial report, when adopted worldwide, desire benefit investors and other users of financial statements by decreasing the cost of investments and increasing the quality of the information provided. Additionally, investors will be more willing to provide financing with greater transparency among different banks. It offers the major benefit where it is used in over 120 different countries. As today the United States and Great Britten the purpose of accounting information has the primarily provide investors and owners with financial information about the company.

Commercial banks are special institutions in modern economy because of their ability to efficiently transform financial claims of savers into claims issued to businesses, individuals and governments (Dr. Mbabazi, 06, September 2016.)Commercial bank's ability to evaluate information and to control and monitor borrowers allows it to lend to the borrowers at the lowest possible cost (Kefela G. T., 2010). That commercial bank accepts the credit risk on these loans in exchange for a fair return sufficient to cover the cost of funding to households savers and the credit risk involved in lending. The commercial bank needs information useful in evaluating credit risk of borrowers. Credit risk arises from the possibility that the borrower will default. In no way, would a bank extend credit to a potential defaulter (Kefela G. , 2011 ) Determining the credit risk on individual loans or bonds is important before a bank manager can price a loan or value a bond correctly and established appropriate limits on the amount of credit extended to any one borrower or the loss of exposure the bank can accommodate. In the current world banks are moving away from the traditional approach of demanding for collateral when lending to customers, instead they require more information on the lenders this has brought to obverse the credit reference bureaus (Duru, 2012). To improve on the credit information the banks should use ratio analysis which can easily be computed from the financial statements. Lending being a high return business line for banks is also a high risk area thus the need for application of credit risk appraisal on potential borrowers. Analysis of financial statements in addition to evaluating financial strength of performance and position can help to identify unusual trends in those

“©Daffodil international university”

financial statements. (Adebiyi, 2006)Notesthat accounting information can be manipulated through recording untrue transactions or amounts, recording transactions either early or late, misstating percentages or amounts involved in a transaction, misstating the amounts of assets or liabilities, changing accounting methods or estimates for no substantive reason and using related parties to change reported profits. Regarding the utility of information contained in financial statements to making lending decisions, (Barth, 2004) notes that there is a generalized opinion that the most commonly used statements are those that are purely budgetary, or connected with the budget, along with those related to liquidity; not only their greater use being obvious, but also their greater utility.

Information contained in the annual report such as the directors' report, the chairperson's or the chief executive officer's report and the auditors' report are used in credit risk appraisal. In addition to that he observed that the character and management skills of the borrower (directors), the purpose to which the borrowed funds will be put as well as the type of security or collateral were all used in the lending process. There is a long tradition of developing and using financial ratios both in practice and in literature of financial statement analysis. The question of classification and selection of relevant financial ratios to reduce the redundancy between countless financial ratios has been subject of many researches (Horrigan, 1968 & Barnes, 1987). Different approaches have been applied on the classification problem of the financial ratios. The first approach being the realistic or an alternative approach is developed from established practices and personal views of outstanding analysts. The relationship that exists among different items in the financial statements is revealed by accounting financial ratios. Thus, they are important to internal management, prospective investors, creditors, and outsiders. Ratios are also better tools for measuring liquidity, solvency, profitability and management efficiency of the firm. The role of accounting therefore is very significant towards increasing the efficiency of the management in order to reduce the expenditure level hence increase the rate of profit, and for the banks in lowering the level of non - performing loans. Ratios help identify the probable causal relation among different items after analyzing and scrutinizing the past results of a firm, the ratios derived after analyzing and scrutinizing the past results can help the management to prepare budgets to formulate policy and to prepare future plans of action and thus acts as a guide to preparing budgets. According to (Dr.Puja Archana Sahu, Sahu, & Charan, 2013,) Earlier “©Daffodil international university”

banks lent money mainly two classes of borrowers, merchant banks and governments. Governments of earlier years were major defaulters as there was no formal evaluation of governments, the loans were illiquid, lending were to mortgages as well as to other banks not forgetting those funds that were channeled to the security markets. Donze 2006 notes that today lending activities have been extended to include industries and other consumer, risk analysis is therefore crucial. Commercial banks remain a major financial intermediary in Rwanda today. Governments try to control the lending activities of banks, lending rates, and creation of credit. This it does by using the central bank as the central controlling institution. Banks combine a chain of services which include payments mechanism, a place to store wealth, lending services in the form of loans and overdrafts they accept deposits and foreign currency selling. Besides the above they also provide a number of additional services such as provision of advice to their clients, debt factoring, assisting exporters and importers, executorships and trusteeship services, insurance and brokerage services, share registration, unit trust business, stock exchange services, estate agency services and leasing.

Financial report is a formal and comprehensive statement describing financial activities of the business organization such as industry firms and banks, financial report is a statement that reports all relevant financial information, presented in a structured manner and in a form easy to understand for managerial use for taking prompt and informed decision making related to investment and also to decision making pertaining to production planning, investment planning, expected returns and performance evaluation.

However, the approaches that the notes and financial statement are presented and reported are critically for investment decision making by existing and prospective investors in order to earn optimal returns on their investments.

Financial report according to V. S Gavgam(2005) is defined as financial information which is the information relating to financial position of any firm in a tablet form.

Financial report defined as a written report that summarizes the financial position of an organization for a stated period of time. It includes a statement of profit and loss and other comprehensive income and statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit.

“©Daffodil international university”

### **About Salam Somali Bank**

Salaam Somali bank was established in October 2009 to answer the need for the community towards banking. The banking sector in Somalia is showing a significant paradigm shift away from traditional means of money transfer. Salaam Somali Bank (SSB) bears the critical responsibility of leading the way forward in establishing a stable and dynamic banking system replete with dynamic and cutting-edge products and services.

SSB was established in October 2009 to answer to this need. Whether you are an individual or institutional client, SSB is there to help you as a partner in your success. It is committed to providing the highest level of personalized banking services. SSB promises to offer customized solutions that meet the unique needs of their clients through the right combination of traditional banking services and special features for the Somali community.

Financial report according to V. S Gavtam(2005) is defined as financial information which is the information relating to financial position of any firm in a capsule form.

Financial report defined as a written report that summarizes the financial status of an organization for a stated period of time. It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit.

According by I. M Pandeg(2002) is defined investment decisions or analysis has to do with an efficient allocation of capital. It involves decision to commit the banks funds to the long-term assets. Such decisions are of considerable importance to the bank since they tend to determine its value size by influencing its growths, profitability and risk.

The investment decisions of a bank are generally known as the capital budgeting decision may be defined as the banks decision to invest its current funds most efficiently in the long-term 9assets in anticipated of an expected flow of benefits over a series of years.

## **1.2 STATEMENT OF THE PROBLEM**

In modern business environment, which is becoming more competitive, the survival of firms, be it small or large; depends upon the strategic decisions made by management. This is however done with the help of financial statements analysis, which is a big challenge to most countries having shortage of professional accountants and financial analysts as it is the case to our country. Every human being needs information in order to make the right decision, the right time. In a business organization, the financial data are obtained from the financial statements. Decision makers must analyze the data in financial statements to provide the meaningful information for use. Without correct information, the decisions made by decision makers may obstruct the growth of the organization. In this view, therefore, a sustained success will depend on how good decisions are made based on the proper analysis of financial statements. Thus, there is a close relationship between analysis of financial statements and effective business decision-making. The management of enterprise is depending on accounting information for taking various strategic decisions. Financial report provide such information. This information is made useful by analyzing and interpretation of financial statements with help of financial analysis techniques. (Mbabazize, 2016) According to James et.al 2005, evaluating the firm's financial condition and performance, the financial analysis needs to perform checkups on various aspects of a firm's financial health. Financial statements are important tools in the management for decision making. (Ngugi, 2001) Financial statements are prepared primarily for decision making, but the information provided in financial statements is not an end in itself and no meaningful conclusion can be drawn from these statements alone. The financial analysis helps in making decisions from the information provided in these financial statements. Thus, the proper financial statements analysis assists management in communicating information which is relevant and purposeful for decision makers to ensure the effectiveness of management in the enterprise. In Rwanda, no study has been carried out on the effect of financial statement analysis thus the researcher wants to fill the gap by carrying out the study. This study is established to investigate the effect of financial reporting on investment decisions making using Salam Somali Bank Bakara market Mogadishu Somalia for the case study.

### **1.3 PURPOSES OF THE STUDY**

The main purpose of this study was to identify the relationship between financial reporting and investment decision making Salam Somali Bank Mogadishu Somalia.

### **1.4 OBJECTIVES OF THE STUDY**

#### **1.4.1 General objective**

The general objective of the study is to examine the effect of financial statements analysis in investment decision making by commercial banks in Somalia.

#### **1.3.2 Specific objectives**

- I. To evaluate the performance of a company for investment decision making;
- II. To appraise the fundamental use of financial statement information, this is to provide information for investment decision making;
- III. To determine the level of financial report;
- IV. To determine if there is a significant different in the level of financial report and investment decision making.

### **1.5 SCOPE OF THE STUDY**

This research will be concerned to the effect of financial reporting on investment decision making at Salam Somali Bank in Mogadishu Somalia. The study will be restricted at the financial institutions particularly Salam Somali Bank at Bakara Market, Mogadishu-Somalia. This study uses cross sectional research.

### **1.6 SIGNIFICANCE OF THE STUDY**

This study is important for both services companies and potential researchers. First this research will be helpful for both current and pontentional investors as the findings and the recommendations. This study will be of huge benefit to banks by improving the banking performance financial analysts, investors, companies and financial institutions. This is because the study intends to help these stockholders in decision making. The study will help in broadening knowledge financial report in investment decision making, it will also make the organization to appreciate the importance of sound financial report in the

providing of information necessary for decision making. It will review the improvement in the Banks handling the financial report and show equally the ways through which improvement could be accomplished finally this research will equally serve as a reference to students.

It's important to the researchers those who want to know the financial report and investment decision making, and those who want to make research can use this research as because the study intends to help these stockholders in decision making.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

In this chapter the researcher was concentrate the literature review of the study. This

Study was investigate the effect of financial reporting on investment decision making

In Salam Somali Bank; Mogadishu; Somalia. The main sections of this study will be concepts

& definitions of financial reporting, investment, the role of financial reporting on investment decision making, importance of financial reporting and conclusion.

#### **2.1 CONCEPTS AND DEFINITION OF FINANCIAL REPORTING**

The basis of financial planning analysis and decision making is the financial information. Financial Report is needed to predict, compare and evaluate a banks earning's ability. It is also required to aid in economic investment and financing decision making. The financial information of an enterprise is contained in the financial Report

According to ( Maidok, 2013), Financial Report simply means a declaration of what is believed to be true and which, communicated in terms of monetary unit. It describes certain attributes of a company that is considered to fairly represent its financial activities. It is also the means of communicating to interested parties the relevant information on resources, obligation and performances of the reporting entity.

Financial Report according to Academic of organization Dictionary is a document which sets out the assets, income, expenses and debts of a company to allow a third person to assess that company's financial health.

Accounting is the art of communicating financial message about a reporting entity to stakeholders such as shareholders, managers, employees, government, and regulatory authorities to mention but a few. The communication is generally in the form of financial reports that show in monetary denomination, the economic resources under the control of the management. The art  
“©Daffodil international university”



is deep-rooted in selecting the information that is relevant to the users and the ascertainment of its consistency. Shareholders need intermittent information that the managers are accounting properly for the resources under their control. This fact helps the shareholders to appraise the performance of the managers. This assessment of the accountant or directors of the reporting entities shows the extent to which the financial resources of the business have grown or diminished during the accounting period. According to (Department of Banking and Finance, 2017), “Financial Statement is described as at the end product of the financial process”. The process is governed by prolific and often confusing and contradictory methods and Generally Accepted Accounting Standards (GAAP) which determine the input into the financial statement. Financial statements are periodical financial reports and accounts and other related documents that highlight the financial position of an enterprise as well as its profitability. Financial reports also reveal the providers of the resources available to an enterprise and the extent to which such have been effectively utilized.

**2.1.1 External Financial Reports:** These are reports prepared for all users of financial statements irrespective of whether the user has direct access to the books and records of the business or not. These reports are usually in form of published accounts.

### **2.1.2 Internal reports**

These reports are usually prepared exclusively for management uses (Akintoye 2002).

**2.1.3 STATEMENT OF FINANCIAL POSITION:** This is a statement showing the financial position of an enterprise by summarizing the assets, liabilities and owners’ equity during a given period of time.

**2.1.4 Profit and Loss account:** This presents the company’s revenue and expenditure for a period. It equally shows the profit or loss generated from the business during a given period of time (MOHAMMED & ABUBAKAR, 2016).

**2.1.5 CASH FLOW STATEMENT:** This is a statement which summarizes the sources of cash inflows and the uses of cash outflows during particular of accounting period month or a year (that is, cash receipt and payment) in the organization for a particular period of time.

**2.1.6 NOTES AND SUMMARY TO THE SIGNIFICANT ACCOUNT:** These are usually explanatory notes to the accounts to give reasons for the figures and information contained in financial statements.

**2.1.7 AUDITOR'S REPORTS** the role of auditors has become increasingly important since audit was first made compulsory under the companies and Allied matters Act (CAMA 2004) as amended. An audit must be carried out by accountants belonging to a recognized body by the department of trade; auditors are guiding the presentation of accounts not only by the legal requirements as confirmed by:

- a) Recommendation of accounting principles and
- b) Statement of standard accounting principles.

One of the first tasks of any user of financial report write R. G May, G. G Mueller and T. H. Williams (1995) is to check to see that the auditors have not qualified their approval in any way. The reports and the accounts must be sent to all their shareholders and holders of the debentures and loan stocks not less than 21 days before the annual general meeting (AGM). A copy must be lodged with the registrar of companies not more than 7 months after the company's financial year ends.

The general purpose of the auditors review: the auditor is required to form opinion on the enterprise's financial statement as the whole. Having accumulated audit evidence about individual items or group of items in the accounts, the auditor should therefore carry out an overall review of the financial statement to satisfy him that a true and fair view is presented.

## 2.8 INVESTMENT DECISION MAKING

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

Investment decision of a bank is one which is expected to produce benefits to the bank over a long period of time and it can pass both tangible and intangible assets (porter (S, The role of accounting information in managerial decision making, 1995) field J. T. S 1995:170).

The investment decisions of a firm are generally known as the capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years.

According (Ekta , 2013) investment decision in the long-term asset is those which affect the firms operation beyond the year period. The firm's investment decision would generally include expansion acquisition, modernization and replacements of the long-term assets. Sales of division or business divestment are also analyzed as an investment decision. Activities such as change in the methods of sales distribution or undertaking an advertisement campaign or a research and development programmers have long-term implications for the firms expenditures and benefits, and therefore, they may also be evaluated as investment decisions. It is important to note that investment in long-term assets invariably requires funds to be tied up in the current assets.

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

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

**2.1.9 INVESTMENT** The investment of a firm are generally known as the capital budgeting may be defined as the firm's to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years.

**2.1.10 Decision-making** is one of the functions of management amongst many other functions that are undertaken by the management of an organization (Pandey, 2000) . Decision- making is the key to financial managers' success and is very crucial for any banks. Managers constantly take actions that affect the banks. For example, the introduction of new products a very important decision to make. Therefore, financial reporting is crucial to decision-makers to make decision on investment, credit policy, marketing strategies, financial, and similar decisions (Kaurdi 1999). Decisions are made out of available information; hence, financial reports should be made available to users periodically.

## **2.2 THEORETICAL PROSPECTIVES**

According to (Michael, 2013) in his critical investigation on the degree of reliance of the published financial statements by corporate investors. The study employed survey research design by which data were generated by means of questionnaire administered on one hundred and fifty corporate investors and senior management officials of the selected banks. The descriptive statistics and percentage analysis were used for the data analysis and the hypotheses were tested using t-test statistic. The results reveal that one of the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor or financial experts. It also showed that investors do understand the financial statement well before making investment decisions. The results of the analysis also indicated that investors depend heavily on the credibility of auditor's financial expert approval of financial statement in making investment decisions and as such published

financial statement is very important in the investors' decision making. He recommended that adequate care and due diligence should be maintained in preparing financial statements to avoid faulty investment decisions which could lead to loss of funds and possible litigations. There is therefore the general belief that published financial statements have failed in its responsibility of provide credible information for investors and other users of financial statements (Duru, 2012). According to (Popoola, 2014)they investigated published financial statement as correlate of investment decision among commercial bank stakeholders in Nigeria. A correlation research design was used in their study. 180 users of published financial statement were purposively sampled from Lagos and Ibadan. Data generated were analyzed using Pearson correlation and regression. The findings of their study revealed that, balance sheet is negatively related with investment decision, while income statement, notes on the account, cash flow statement, value added statement and five-year financial summary are positively related with investment decision making. Their findings also revealed that components of published financial statement significantly predicted good investment decision making for commercial bank stakeholders. And they recommended that Nigeria banks and professional bodies should instigate programs that will increase the knowledge of stakeholders on published financial statement. Corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions because Investment decision makers rely on information obtained from financial statements to predict future rates of return. Without the financial statement, there will be a problem of how to determine the profit of a company, and evaluation of performance of a company. The general objective was to ascertain the role of financial statement in investment decision making. The study was based on survey and questionnaire used to gather the information. He discovered from the test of hypotheses that financial statement is relied upon in investment decision making and financial statements are useful for forecasting company's performance. The concluded was drawn based on the findings that financial statement plays a vital role in investment decision making and recommends that no investment decision should be taken without the consideration of a company's financial statements (Mercy A.A, 2014). Argues that financial statement is an important part of the fabric of organizational life and the need to be evaluated in their wider managerial, organizational and environmental context. Therefore, the effectiveness of financial report not only depends on the purposes of such systems but also depends on contingency factors of each organization.

“©Daffodil international university”

Financial statements are said to be effective when the information provided by them serves widely the requirements of the users. Effective financial statement should systematically provide information which has a potential effective on investment decision making by the prospective investors. The perception of investors about a company's ability affects the market prices of the company's security relative to others in the industry. Financial statement can only be useful if they are well understood published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors. According to Onyekwelu (2010), the satisfaction of the needs of the various users of accounting information as contained in the annual report can be accepted as the objective of financial statement. This objective of information is emphasized by the various accounting principles because investors and creditors use them in making rational investment and credit decisions. Financial statement fairly represents the business and economic situation of a country, which if studied carefully can lead to the achievement of some financial and economic goals. For instance, the balance sheet provides the observant with a clear picture, of the financial condition of the company as a whole. It lists in detail the tangible and intangible assets that the company owns and owes, while the profit and loss accounts summaries the income and expenditure of a company in a given period of time. It shows the result of operation during these accounting periods. Also, it is through the use of financial reports that users can assess the project of receiving cash as dividend or interest and proceeds from sales, exemption or maturing securities or loans for instance, cash flow statement shows how cash is predicted to move around at a particular given period of time. It is useful for planning future expense. It shows whether or not there will be enough cash to carry out the planned activities and whether or not the cash coming in will be enough to cover the expenses. It is useful in the determination of the company's liquidity in a given period of time. According to Aroh, et-al (2011), the most important purpose of the annual report is to get the shareholders informed about the financial status of his company, especially as to its income and financial position. The usefulness of financial statement to investors is to assist them to assess the ability of an enterprise to pay dividend and interest when due while to the potential investors, published financial statement is used to decide on the type of security to invest in or which company to invest in. Conclusively, financial statement of accompany should provide information about the economic resources of a company, which are the sources of prospective cash inflows to the company. It should also provide its obligation to transfer economic resources

“©Daffodil international university”

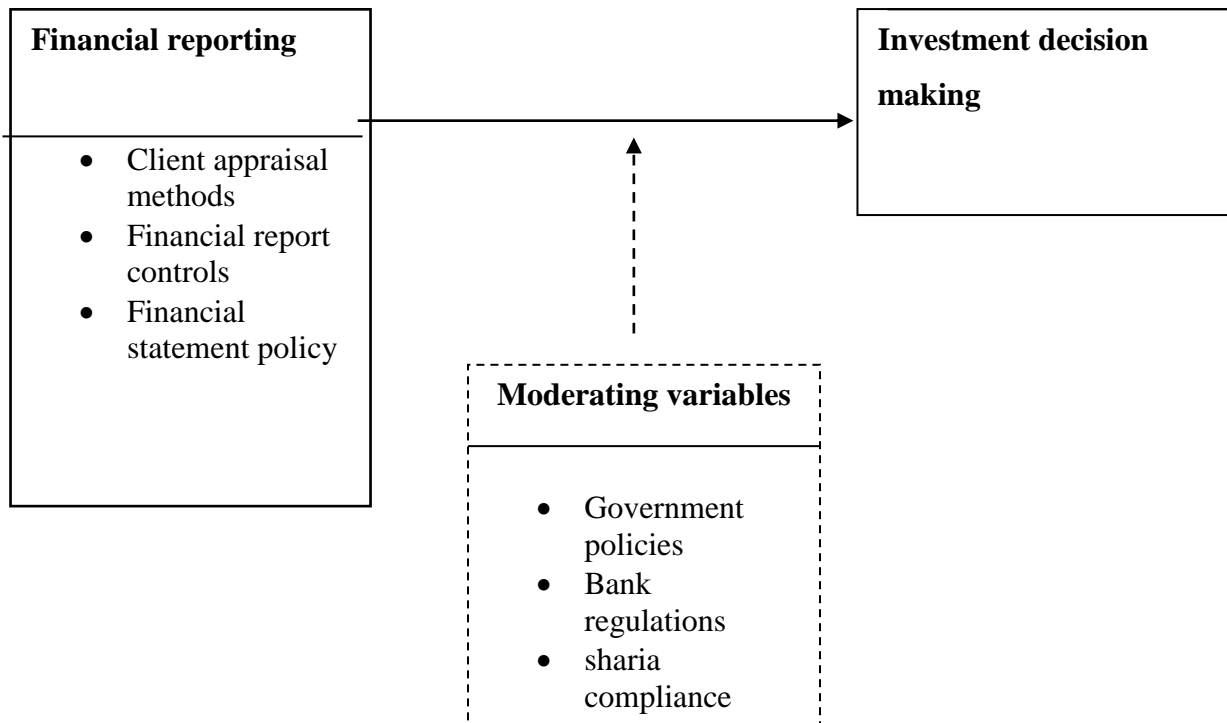
to others which are the source of prospective cash outflow from the company and its earnings which are the financial results of its operation. According Adebayo, et-al (2013), they examine the impact of accounting information system in assisting organizations in making sound and effective investment decision. The major source of data to their research was primary data through the administration of questionnaires. Regression analysis and Karl Pearson's correlation was used for the data analysis. Their findings shown that accounting information system is an indispensable tool in investment decision making in today's turbulent world. Organizations are however, advised to invest on information technology tools as it improve their efficiency, effectiveness and their overall performance.

## 2.4 Conceptual Framework

Conceptual framework refers to the framework of thinking that the researcher will use to achieve his research objectives. Thus, financial statements do influence greatly investments decisions by informing investors about the investment project analysis, corporate financial positions, and corporate financial performances.

### Independent Variable

### Dependent Variable



## **2.5 RELATED STUDY**

According to Meignset at. (2001), his study to conducted in Nigeria on the impact of financial report and investment decision making their finding indicated that investment who were 70% of financial report who had reporting have more reported in their field of operation were more decision then. Financial reporting transparencies have significant influence on effective management decision making related to investment in Salam Somali Bank.

According to J. AOhisonet at (1999), conducted on study the impact of financial report on investment decision making Kenya, Nairobi. His findings indicated that financial reporting is the process of communicating financial information to decision-makers; it provides information useful for making investment decisions.

According to Pandey et at(2005:141) his study conducted in Kampala, Uganda investment decision making, their findings indicated that investment decision in the long-term asset is those which affect the Bank operation beyond the year period where more decision then who.

According to Meigset at (1993:7), conducted a study on the financial report in Nigeria, his findings indicated that 20% of financial who had bank reports have more than reports where who where use. Investment decision of a bank is one which is expected to produce benefits to the bank over a long period of time and it can pass both tangible and intangible assets.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

In this chapter, we shall discuss the following sections: The research design, research population, research instrument, and data gathering procedure, data analysis, ethical consideration, and finally, limitation of the study.

#### **3.1 RESEARCH DESIGN**

The researcher of this study used the descriptive research design to schedule the phenomenon of variables. The study also will use a quantitative and cross sectional research by using questionnaires. The descriptive research design is to describe an accurate profile of persons, events, or situations, and quantitative research methods attempt to maximize objectivity, reliability of findings, and are typically interested in prediction. Integral to this approach is the expectation that a researcher will set aside his or her experiences, perceptions, and biases to ensure objectivity in the conduct of the study and the conclusions that are drawn. Key features of many quantitative studies are the use of instruments such as tests or surveys to collect data, and reliance on probability theory to test statistical hypotheses that correspond to research questions of interest.

Quantitative methods are frequently described as deductive in nature, in the sense that inferences from tests of statistical hypotheses lead to general inferences about characteristics of a population. Quantitative methods are also frequently characterized as assuming that there is a single “truth” that exists, independent of human perception (N. & Vicent, 2014)

(Trochim (Ensuring the Quality of the Findings of Qualitative Research: Looking at Trustworthiness Criteria ) (Anney, 2013) defined quantitative research design as the quantitative research is based on the measurement of quantity or amount. Here a process is expressed or

described in terms of one or more quantities. The result of this research is essentially a number or a set of numbers.

The study will make a relationship about the effect of financial reporting on investment decision making at Salam Somali Bank in Mogadishu Somalia.

### **3.2. RESEARCH POPULATION**

The target population of the researcher will be financial managers and accountants of the Salam Somali Bank Mogadishu- Somalia. The characteristics of target population in this study

Will be commercial Banks however; we are interesting in the some selected firms that use accounting packages. Particularly Salaam Somali bank, the research population limited to the head office in Bakara market. In addition we shall choose firms which existing more than three years in order to get further information about their practices in accounting.

Population is defined as the total collection of elements about which we wish to make inferences (Cooper & Schindler, 2003). Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The target population of this study comprised of 150 managers of Bank of Salam Somali. These included eight boards of directors, thirty senior managers, thirty-two middle management and eighty lower managers stationed at Bank of Salam Somali head office, The study preferred to use managers, because are the ones who decisions in commercial banks.

### **3.3. SAMPLE SIZE**

A sample size of 110 respondents was determined from a total population of 150 individuals using the formula by Yamane (1967). Stratified random sampling technique was used to select the respondents. Stratified random sampling technique ensures that different groups of a population are adequately represented in the sample. Purposive sampling technique was used in selecting the investors in Bank of Salam. In this section of sampling design, the researcher mainly strategies related to sampling techniques for easy access to right data from respondents.

$$n = \frac{N}{1 + N(e)^2}$$

Where n = the desired sample size

“©Daffodil international university”

e= probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level) N=the estimate of the population size.

$$n = \frac{100}{1 + 100(0.05)^2} = 80$$

### 3.3.1. Sample Frame

Sampling frame is a list of all the population subjects that the researcher had targeted during the study. Using the Yamane's formula, the proportions of the sample size the computed sample strata are shown in Table 3.1. The sample size of eight boards of directors, sixteen senior managers, eighteen middle management and seventy lower managers stationed at Bank of Kigali head office were used. The sample frame for this study is shown in the Table 1 Table 54 Sampling Frame Area of Operation Population Proportions

Table 54 Sampling Frame

Area of Operation	Population	Proportions
Board of directors	5	5
Senior Managers	20	10
Middle Managers	25	16
BK HQ Staff	50	50
<b>Total</b>	<b>100</b>	<b>80</b>

### 3.3.1 Sampling Procedure

This study will use Probability Sampling. The sampling technique that used in this study is

Systematic sampling- sampling of probability sampling technique. Systematic sampling is a method of sampling which Ratio between sample size and population size to the researcher.

The reason this study we shall use this technique is first the target population of this study is too large so it would be an able to reach all population because in Mogadishu are exist more services "©Daffodil international university"

companies. Second, this technique saves time and cost, third using convenience sampling, it enables the researchers to decide whom to be included in the sample.

### **3.4. RESEARCH INSTRUMENT**

The study adopted the questionnaire from (D. Hurtmans<sup>2</sup>, 2009)iam, 2007). And the researcher will make slightly modifications about the questionnaire. Because, to adapt a local context.

The questionnaires were distributed through face to face meeting. Different researchers use different data collection instruments. The most common are interviews and survey questionnaires. Questionnaires can be administrating in person, through mail or over the internet (Yang & Miller, 2007). Questionnaire research instrument is a tool that was used to assess the occurrence in questions. The questionnaires are the most useful in terms of serving the purpose of this study as they enable the researcher to get specific information from the respondents. Researcher has selected questionnaire as it has the following advantages: first, it provides efficient way for collecting responses from a large sample size. Second, it requires fewer skills and sensitively than semi-structures and in-depth interviews (sounders et al., 2009). As for the questionnaire development, the instrument is essential in order to measure the tested variable that is aligned with the objective of the study.

#### **3.4.1 Validity and Reliability of the Instrument**

The most important issue in the research is to ensure reliability and validity. According to

Trochim and Donnelly (2006) “validity refers to the best estimate of the truth of any proposition or conclusion or inference described in the research. Reliability refers to the measurement of the quality of the data collected in any research. Therefore, to increase reliability and validity, the study was adapted questionnaire by making slightly modification. To establish reliability and validity, the instrument will be given to three experts to evaluate the relevance of each item in the instruments to the objective. The development of a content reliable and valid instrument is typically achieved by a rational analysis of the instrument. Specifically, researcher review all of the items for reliability, clarity and comprehensiveness and come to some level of agreement as to which items should be included in the final instrument. The validity of a study is ultimately

“©Daffodil international university”

judged. Therefore, the author must provide a clear and precise description of experiment was done, and the rationale for the specific experimental procedures chosen. It must be written with enough information so that the audience can judge whether the results and conclusions are valid. In this article describe to emphasize that confounding variables can never be fully controlled. Furthermore, the influence of these variables may not be fully appreciated by those conducting the research.

External validity is primarily determined by how subjects are selected to participate in a study and by the use of randomization procedures that limit potential bias in how subjects are assigned to treatment groups. Validity refers to the credibility of experimental results and the degree to which the results can be applied to the general population of interest.

Internal validity refers to the credibility of a study and is determined by the degree to which conclusions drawn from an experiment correctly describe what actually transpired during the study. External validity refers to whether (and to what degree) the results of a study can be generalized to a larger population.

Unfortunately, all biological systems are profoundly complex, so simple, unambiguous, direct relationships between objects can be difficult to ascertain. The internal validity of a study is judged by the degree to which its outcomes can be attributed to manipulation of independent variables and not to the effects of confounding variables.

Therefore, the study protocol must be designed to control (e.g., to keep constant) as many extraneous factors as possible so that any potential cause-and-effect relationship between two objects can be judged accurately.

### **3.5. DATA GATHERING PROCEDURE**

The first step when collecting data was requested from student affairs and registration office a letter helpful that was conducted academic research. In order to collect data from respondents the researchers were employed a questionnaire adapted from prior literature.

“The questionnaire allows respondents to consult with or to use resources when responding” (Nolinske 2008). The questionnaire was contributed and collected from respondents by hand in order to guide the respondents, if they need some clarification about the questionnaire.

“©Daffodil international university”

### 3.6. DATA ANALYSIS

The last step in the methods section is to describe how the data will be presented in the results section (e.g., mean vs. median), which statistical tests was used for the infer-

In this study descriptive statistics will use and also we shall use statistical package SPSS to analyze data. “Descriptive statistics is the use of measurement of central tendency such as means, medium, and mode and measures the dispersion such as range, quartile deviation, standard deviation and variance to describe a group of subject” (Oslo and

Omen 2008). Analyses were carried out with the aid of Package for Social Sciences,

(SPSS Version 16.0)

**Table: 3.1 respondent & interpretations**

Range	Respondent mode	Interpretation
4.24-5.04	Strongly Agree	Excellent
3.43– 4.23	Agree	Very Good
2.62– 3.42	Natural	Good
1.81 – 2.61	Disagree	Fair
1.00-1.80	Strongly Disagree	Poor

### 3.7. ETHICAL CONSIDERATIONS

When working with human subjects, there must be declarations that the medical centers institutional review board governing research on living matter has determined that the study protocol adheres to ethical principles.

“©Daffodil international university”

Without such approval, no research project can be conducted nor can it be published in a reputable, peer review science journal.

Research ethics is related to “questions about how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyze data and will write up our research findings in a moral and responsible way”

(Saunders, et al, 2009). This study will be conducted ethically; the researchers will request the respondent to work as voluntary and the researchers will help the respondent as ethically.

### **3.8 LIMITATIONS OF THE STUDY**

Limitations are the boundaries that restrict the research scope and may cause difficulty in the achievement of the research result when we are in the process of research face many problems. The quantitative method of questionnaire is limited to exploring the role of the financial reporting on investment decision making in Salam Somali Bank in Mogadishu Somalia.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

#### **4.1 INTRODUCTION**

This chapter presents data collected, analysis and interpretation from the field. The data was collected using instruments like questionnaire, which was highlighted under the researcher's methodology. In this chapter, more emphasis has been placed on the interpretation of raw data in relation to the set objectives and the research question as set for the study.

#### **4.2 Demographic information**

This section presents information gathered using section A of the questionnaire.

#### **4.3 Profile of the respondents**

The researcher prepared questionnaires and interview guide appropriate for this study. The questionnaires were administered using both personal administrations with on the spot collection where the researcher delivered the questionnaire in person and waited for the respondents to fill them then went back with them. Personal administration with collection after time was employed to give the respondents ample time to answer the questionnaire and consult other sources resource material and other documents.

The researcher distributed 80 questionnaires to Staff members and employee of Salam Somali Bank Mogadishu Somalia. All the questionnaires were completed and returned back. This means that questionnaires which have been completed represented a good response rate which was considered sample for the objectives of the study. The researcher later purposively sampled and interviewed the entire community leader including the staff of bank.



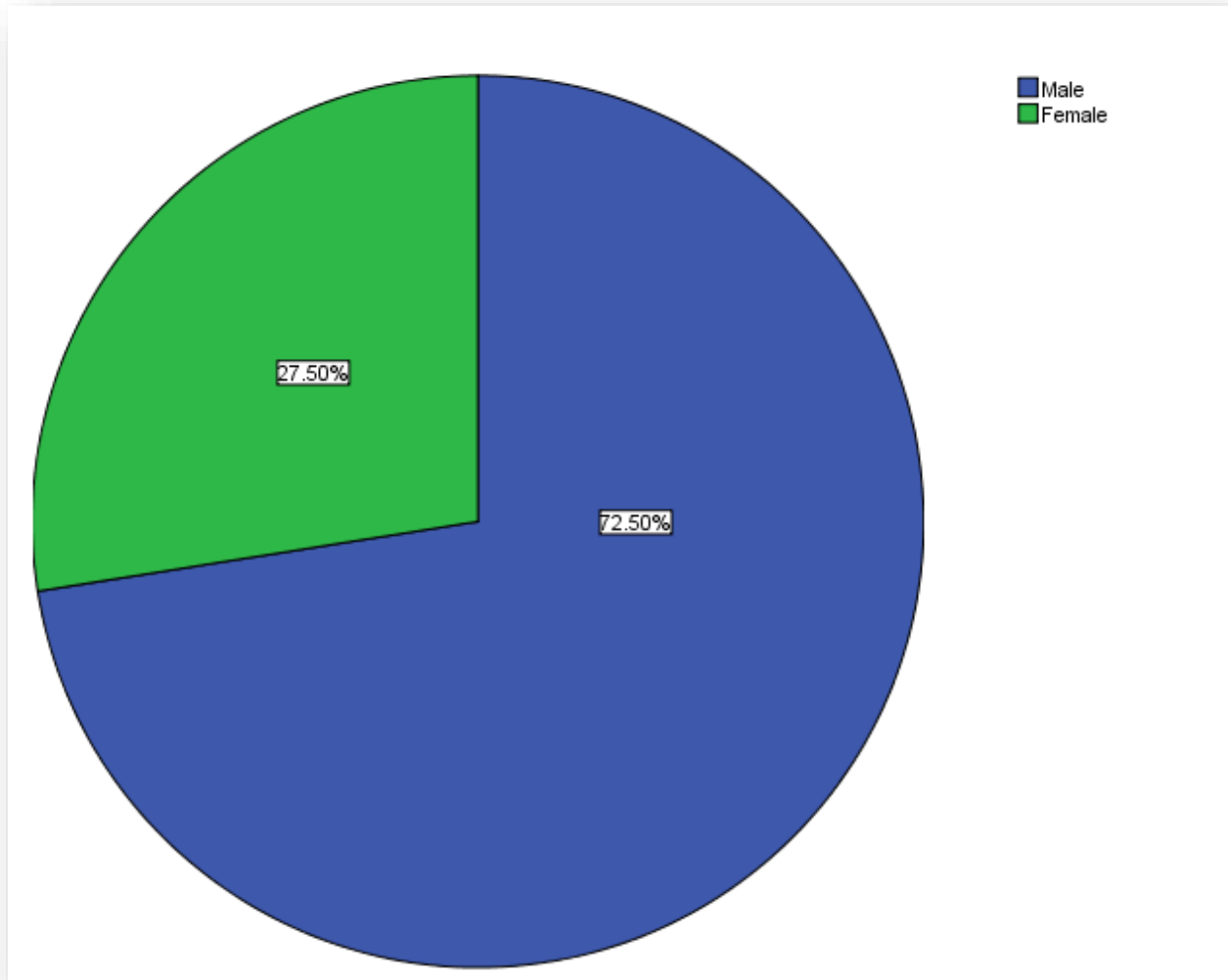
#### 4.4 Gender of respondents

**Table 4.1: Gender of respondents**

GENDER	FREQUENCY	PERCENTAGE
MALE	58	73%
FEMALE	22	27%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

Source: Primary data 2018

It is observed from table 4.1 and figure 4.1 that the majority of the respondents were males since they were 73% and their female counterparts were 27% of the respondents and 22 in number out of 80 respondents. Whereas the Somalia more highlighting on gender balance and equity in all Banks and country commission was found to have less women than men.

**Figure 4.1: Gender of respondents**

Source: Primary Data 2018

During the interview with the heads of Salam Somali Bank, it was verified that the girl is not deserted in some departments. But they are apparent to be weak and less strength to handle heavy engineering chaos. Sometimes the community played a positive role towards encouraging the women or girl towards taking medicine and enforcement courses. If majority of the women

“©Daffodil international university”

or the girl take up medicine courses they can improve the productivity of skills and service delivery.

#### 4.5 Analysis based on respondents' age

**Table 4.2: Age of respondents**

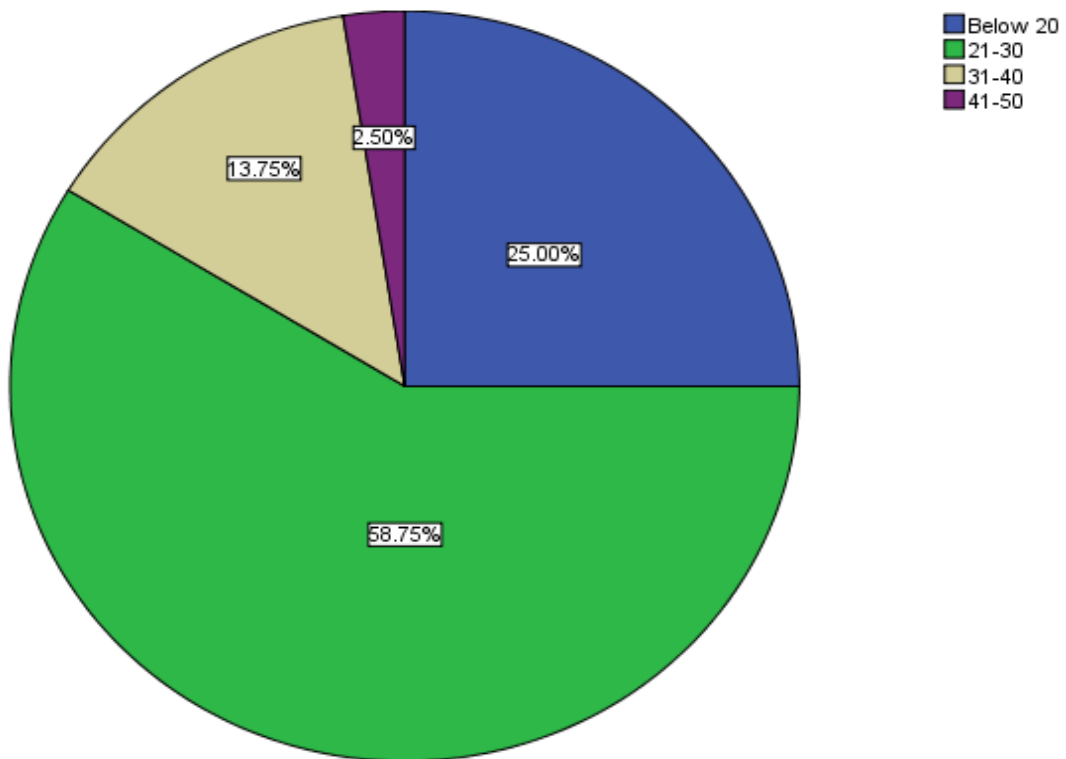
<b>Characteristics</b>	<b>Frequency</b>	<b>Percent</b>
<b>Below 20</b>	<b>20</b>	<b>25%</b>
<b>21-30</b>	<b>47</b>	<b>59%</b>
<b>31-40</b>	<b>11</b>	<b>14%</b>
<b>41-50</b>	<b>2</b>	<b>2%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

**Source: Primary data, 2018**

Referring to the table 4.2, the average age for this data set is 39 years old. Among to 80 respondents no one of the respondents omitted his/her age in the questionnaire. This table depict 25% are less than 20 years old, 59% are among 21 and 30, 14% are between 31 and 40, 2% are between 41 and 50 These ages represent a people who can actively related financial report and investment decision making in Salam Somali Bank by the modal age group of between 21 and 30 years.

During the interviews with the Salam Somali bank, it was realized the Bank paid strict attention to improve financial report and investment decision making, therefore referring to this table 4.2 and the interviews the most respondents were the age of an above 21 years and below 70, because most bank officers are always old people and businessmen were above 35 years.

what is your age?



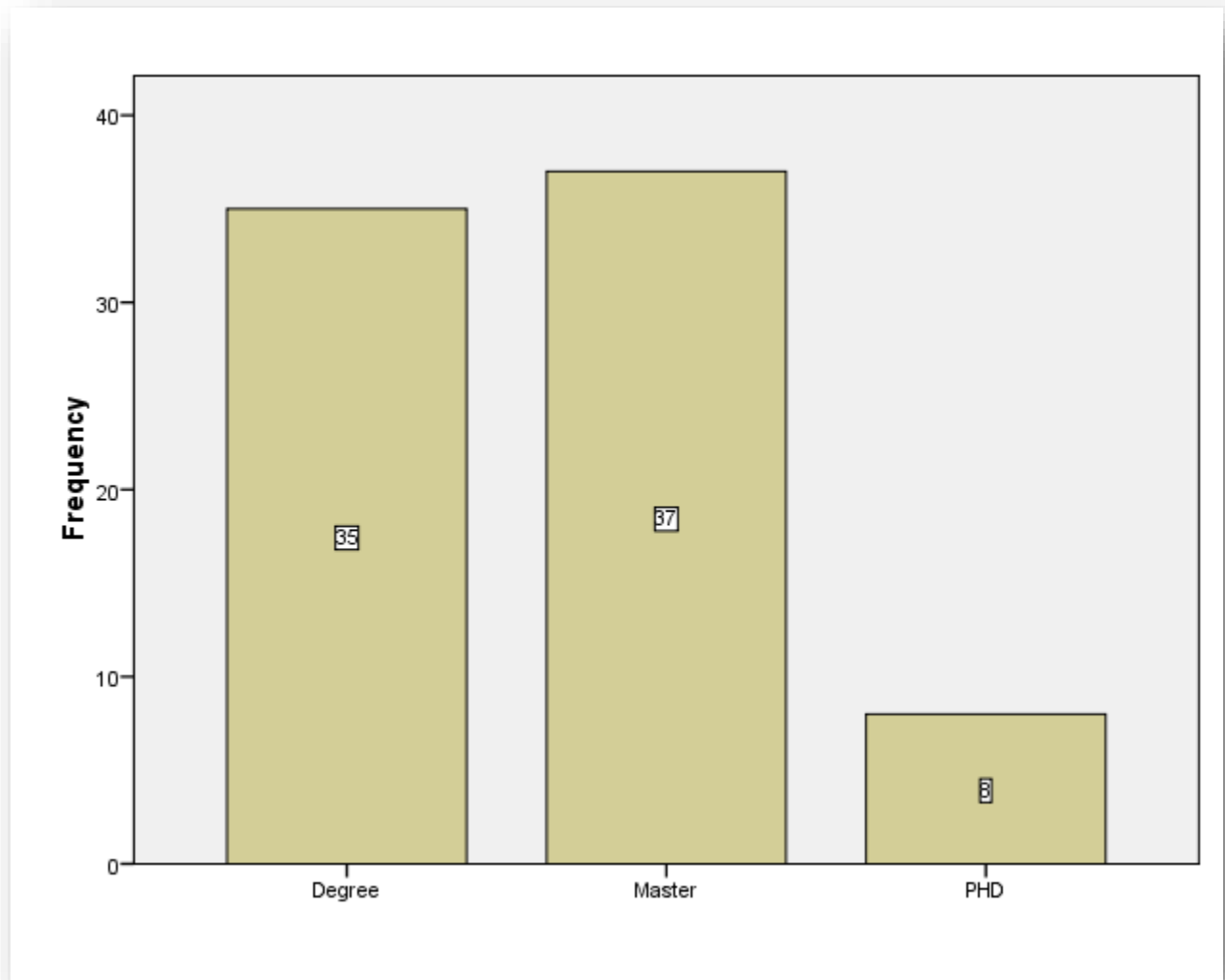
#### 4.6 Education level of the respondents

It is observed from table 4.3 that 10% of the respondents had PHD, 37% of the respondents were master's degree holders, 35% of the respondents were bachelor's degree holders,

**TABLE 4.3: Educational level of the respondents**

<b>EDUCATIONAL LEVEL</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Bachelor's degree	35	44%
Master degree	37	46%
PHD	8	10%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

**Figure 4.3:**



#### 4.7 Marital status of the respondents

It is observed in table 4.4 that 31% of the respondents are married while 49% are single of the total respondents in the sample. That shows the respondents are young age because 61% of respondents already not got married or single.

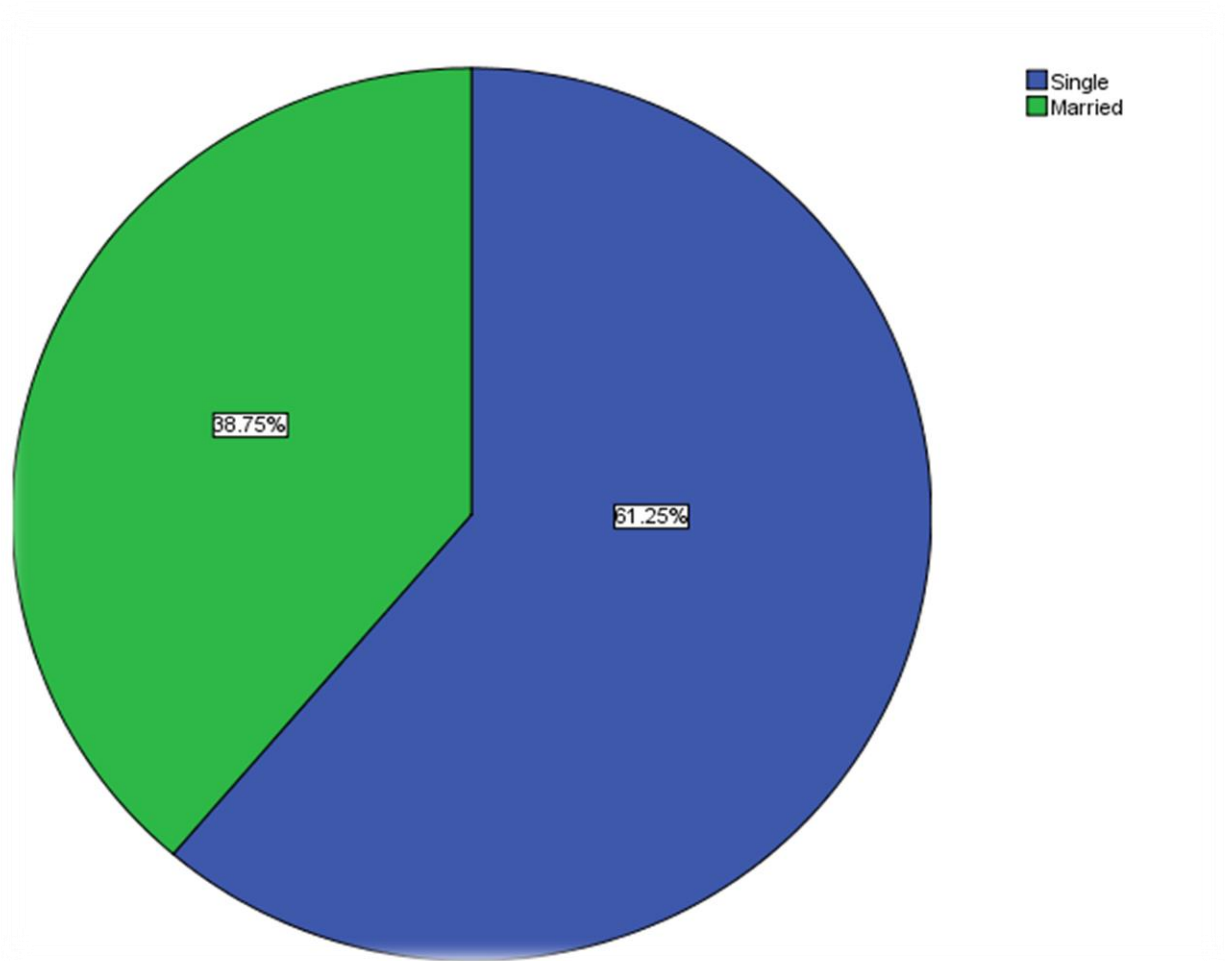
**Table 4.4: Marital status of the respondents**

<b>MARITAL STATUS</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
SINGLE	49	61%
MARRIED	31	39%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

Source: Primary data 2018

The respondents' confirmed. There are no recent reliable estimates of overall financial report and investment but some comparative data from other states and from earlier punt land studies are useful for individual species and sex and age classes.

Figure 4.4: Marital status of respondents



Source: Primary data 2018



#### 4.8 SECTION B: THE ROLE OF FINANCIAL REPORT

**TABLE 4.5.1 Financial Report it will benefit to investors and other users of financial statements.**

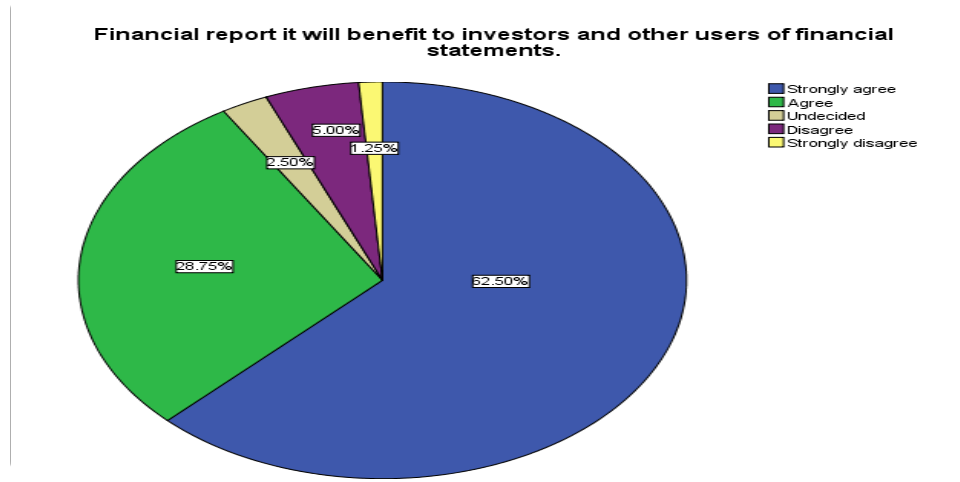
<b>Financial Report it will benefit to investors and other users of financial statements.</b>	<b>FREQUENCE</b>	<b>PERCENTAGE</b>
SA	50	63%
A	23	29%
SD	2	2%
DA	4	5%
<b>Undecided</b>	<b>1</b>	<b>1%</b>
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

The mode question 4.5.1 is 50 which is 63% strong agree.

In the above table the researcher present a question about the role of financial report 63% of the respondents are strongly agree and accepted the Financial Report it will benefit to investors and other users of financial statements, where 29% agreed Financial Report is Benefit to investors and other users of financial statements, on the other hand, 18% strongly disagree and 4% of the respondents disagree. (See figure 4.5.1)

#### **FIURE4.5.1**

“©Daffodil international university”



Source of primary data 2018

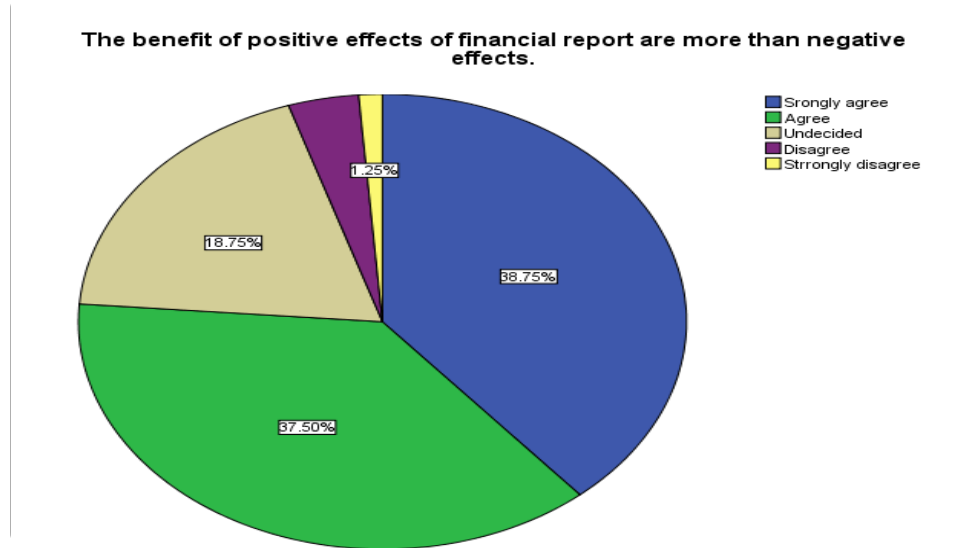
**TABLE 4.5.2 the benefit of positive effects of financial report are more than negative effects.**

The benefit of positive effects of financial report are more than negative effects	Frequency	Percentage
Strong Agree	31	39%
Agree	30	38%
Undecided	3	3%
Disagree	15	19%
Strong Disagree	1	1%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

The mode question 4.5.2 is 31 which is 39% strong agree.

A total of 17 employees Disagree respond which was 34%, of the whole sampled responses returned and filled successfully, 14 were Agreed which was 28%, while 7 of responses 14% are totally strongly disagreed and 12 employee strong agree which was 24%. (See figure 4.5.2)

**FIGURE4.5.2**



Source: primary data2018

**Table 4.5.3 it describes certain attributes of a bank that is considered to fairly represent its financial activities.**

<b>It describes certain attributes of a bank that is considered to fairly represent its financial activities.</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strong agree	27	33%
Agree	28	34%
Undecided	10	13%
Disagree	15	19%
<b>Strong disagree</b>	<b>1</b>	<b>1%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

The mode question 4.5.3 is 30 which is 60% agree.

A total of 28 employees Agree respond which was 34%, of the whole sampled responses returned and filled successfully, 15 were disagreed which was 19%, 10 were undecided which was 13%, 27 were strong agree which was 33% while 1 of responses 1% are totally strongly disagreed. , (See figure 4.5.3)

Source: primary data 2018

**TABLE 4.5.4 it is a form easy to understand for managerial use for taking prompt and informed decision making related to investment.**

it is a form easy to understand for managerial use for taking prompt and informed decision making related to investment	Frequency	Percentage
SA	29	37%
A	28	36%
Undecided	7	9%
DA	12	13%
<b>Strong Disagree</b>	<b>4</b>	<b>5%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

The mode question 4.5.4 is 29 which is 37% strongly agree.

A total of 29 employee Strongly agree which was 37%, of the whole sampled responses returned and filled successfully, where 28 agreed which was 36% in the other hand 7 of employee undecided which was 9% where 12 disagree which was 13% and 4 employee strong disagree which was 5%

**TABLE 4.5.5 financial reports examine past and current financial data for the purpose of evaluating performance and estimating future risks.**

<b>Financial report examines past and current financial data for the purpose of evaluating performance and estimating future risks.</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly agree	25	30%
Agree	23	30%
Undecided	18	22%
Disagree	8	10%
Strong disagree	6	8%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

Source: Primary Data 2018

The mode question 4.5.5 is 25 which is 30% strong agree.

The results in the table above shows 30% are strong agree Financial reports examine past and current financial data , 30% are agree and 22% undecided and 10% are disagree and 8% are strong disagree, that greater fraction of the respondents accept and admit that there is high level of evaluating performance and estimating future risk..

**Table 4.5.6; Financial report participates to increase the quality of the information provided.**

<b>Financial report participates to increase the quality of the information provided.</b>	<b>FREQUENC Y</b>	<b>PERCENTAGE</b>
SA	33	41%
A	29	36%
U	8	10%
DA	8	10%
SD	2	2%
Total	80	100%

Source: Primary data 2018

The mode question 4.5.6 is 26 which is 41% strong agree. The results in the figure and table show that most respondents answer admit more than 41% are strong agree of respondents in financial report participate to increase the quality of the information provided and 29 where agree which was 36%, 8 were undecided which was 10% and 8 where disagree which was also 10% and 2 are strong disagree.

Source: Primary data 2018

**TABLE 4.5.7 it helps the management to make decisions that are necessary for the continuity of the business**

it helps the management to make decisions that are necessary for the continuity of the business	FREQUENC Y	PERCENTAGE
Strongly agree	29	36%
Agree	23	29%
Undecided	8	10%
Disagree	11	13
Strong disagree	9	11%
TOTAL	80	100%

The mode question 4.5.7 is 29 which is 36% strong agree.

A total of 29 employees, Strongly agree respond which was 36%, of the whole sampled responses returned and 23 agree which was 29% , while 8 strongly disagree which was 10% and 11 of employee disagree which was 13%.

Source: primary data2018



#### 4.9 SECTION C: INVESTMENT DECISION MAKING

**Table 4.6.1 Future benefits of investment are difficult to measure and cannot be predicted with certainty.**

<b>Future benefits of investment are difficult to measure and cannot be predicted with certainty.</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
SA	33	41%
A	27	24%
Undecided	5	6%
DA	10	12%
SD	5	6%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

The mode question 4.6.1 is 33 which is 41% strong agree

A total of 33 employees strong agree which was 41%, of the whole sampled responses returned and filled successful saying yes, while 27 believed agree which was 24% and 5 saying undecided which was 6%, 10 saying disagree which was 12% and 5 believed strong disagree.

**Table 4.6.2 Risk in investment arises because of the uncertain returns.**

<b>Risk in investment arises because of the uncertain returns.</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
SA	29	36%
A	28	34%
U	11	14%
DA	7	8%
<b>SD</b>	<b>5</b>	<b>8%</b>
<b>Total</b>	<b>80</b>	<b>100%</b>

The mode question 4.6.2 is 29 which is 36% strongly agree.

A total of 29 employees, SA respond which was 36%, of the whole sampled responses returned and filled successfully, while 28 A which was 34%, 11 responded undecided which was 14% and 7 of respondent saying Disagree which was 8% and 5 employees SD which was 8%.

Source: primary data 2018

**Table 4.6.3; Financial report participate reduce the cost of investments.**

<b>Financial report participate reduce the cost of investments.</b>	<b>FREQUENC Y</b>	<b>PERCENTAGE</b>
SA	32	40%
A	25	32%
U	15	18%
DA	5	6%
SD	3	4%
Total	80	100%

Source: Primary data 2018

The mode question 4.6.3 is 40 which is 40% agree.

The results in the figure and table show that most respondents answer admit more than 40% are strong agree of respondents in financial report participate to Reduce the cost of investment and where 25 agree which was 32% and 3 respondents are strongly disagree which was 4%, 15 where saying undecided which was 18% and 5 disagree which was 6% In total research .respondents.

**Table 4.6.4 Investment decisions making or analysis has to do with an efficient allocation of capital**

<b>Investment decisions making or analysis has to do with an efficient allocation of capital</b>	<b>FREQUENCE</b>	<b>PERCENTAGE</b>
SRTONGLY AGREE	26	33%
AGREE	24	30%
Undecided	12	15%
DISAGREE	16	20%
STRONG DISAGREE	2	2%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

The mode question 4.6.4 is 26 which is 33% agree

A total of 26 employees Strong agree respond which was 33%, of the whole sampled responses returned and filled successfully, 24 were agreed which was 30%, while 16 of responses 20% are totally disagreed and 2 employee Strong disagree which was 2%, 12 responded undecided which was 15% out of respondents.

Source: primary data 2018

**Table 4.6.5 the benefit of positive effects of investment decision making are more than negative effects.**

<b>The benefit of positive effects of investment decision making are More than negative effects.</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Strongly Agree	24	30%
Agree	26	33%
Undecided	7	8%
Disagree	16	20%
Strong Disagree	7	9%
Total	80	100%

The mode question 4.3.5 is 26 which is 33% agree.

A total of 24 employees strongly agree which was 30%, of the whole sampled responses returned and filled successfully, where 26 agreed which was 33% and 16 respondents are disagree which was 20%, where 7 Strong disagree which was 9% and 7 responded undecided which was 8% total of respondents.

Source: Primary data 2018

**TABLE 4.6.6 Decision-making is the key to financial managers' success and is very crucial for any banks.**

<b>Decision-making is the key to financial managers' success and is very crucial for any banks.</b>	<b>FREQUEN CE</b>	<b>PERCENTAGE</b>
SA	24	31%
A	26	33%
Undecided	7	9%
DA	18	21%
SD	5	6%
<b>TOTAL</b>	<b>80</b>	<b>100%</b>

The mode question 4.6.6 is 26 which is 33% agree

A total of 26 employees agree which was 33%, of the whole sampled responses returned and filled successfully, where 24 Strong agreed which was 31% and 18 respondents are disagree which was 21%, where 5 Strong disagree which was 6% and 7 undecided which was 8% about total respondents.

**TABLE. 4.6.7 Financial reports influence the investors to buy shares from the company.**

<b>Financial reports influence the investors to buy shares from the company.</b>	<b>Frequency</b>	<b>Percentage</b>
SA	25	31%
A	30	37%
U	7	9%
DA	10	13%
SD	8	10%
TOTAL	80	100%

Source: Primary data 2018

The mode question 4.6.7 is 30 which is 37% Agree.

A total of 25 employees Strong agree respond which was 31%, of the whole sampled responses returned and filled successfully, 10 were Disagreed which was 13%, while 8 of responses 10% are totally strongly disagreed and 7 employee undecided which was 9%. Out of total respondents.

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter presents the summary of findings, conclusion and recommendations of the results from chapter four as related to the views of scholars in the literature review and the background of the study. The summary and discussion given in this chapter, aim at answering the research objectives. The conclusion reached is based on the discussion of the findings. The recommendations are made from the findings and expert opinion from the literature review. The areas of further research have been explored emanating from the questions in the entire study.

#### **5.2 FINDINGS**

The major findings of the study was interpreted and presented in relation to the objectives of the study. During the analysis of data presented in chapter four, the researcher found out that, this study set out to study the effect of financial report on investment decision making (A case study at Salam Somali Bank Mogadishu Somalia).

Finally, the basic aim of this study is to determine the effect of financial report on investment decision making. This is because prospective investor's uses financial report of concerns as a major parameter for assessing the profitability and the risk of investing in such ventures and the aim of financial report is to provide financial information about an entity to interested parties. The information can become meaningful through financial interpretations and decisions unveil the essence of financial report as the major custodian of financial information necessary for any investment decision. Investment are not made on a vacuum hence, there are bedrocks on which they will stand.

The findings revealed that financial reporting disclosure, corporate fraud and scandals, and financial reporting transparency have significant influence on effective management decision making Related to investment in Salam Somali Bank.



### 5.3 CONCLUSIONS

The researcher concludes by saying that financial report plays a vital role in investment decision making; for instance, where companies invest billions of Salam Somali Bank. By their nature, these investment decisions have the potential to affect the bank's fortunes over several years. For a good decision can boost earning sharply and dramatically increase the value of the bank. This financial information can be subjected to various scrutiny and analysis depending on the investors before making their investment decisions. This is quickly appreciated in the banking sector as one of the major criteria's the demand from their borrowers at the financial report of the concern for various years. This is subjected to their analysis and interpretations before they can go ahead in the loan negotiation concerning any company. Hence it is opined that companies should try as much as possible to posit financial report that reflects a true and fair view of what is propose to represent as a way of appreciating their companies the more.

The detailed analysis of the effect of financial reporting on effective investment decision making in Salam Somali Bank and analyzing the survey collected data using descriptive, correlation coefficient and analysis of variance (ANOVA) techniques revealed that several considered factors of financial reporting structure in this study like, financial reporting disclosure, corporate fraud and scandals, and financial reporting transparency have significant influence on management investment returns as a proxy of effective managerial decision making process.

Furthermore, a sound, effective and efficient financial reporting system tends to improve performance in business operations. In the same view, an effectively applied planning and decision- making system contributes to the efficiency of managerial staff. These minimize the problems of insolvency and liquidity and thereby disallowing mismanagement of organizational resources.

In the final analysis, it is clear that a deeper understanding of the importance of financial reporting can lead to enhancement of organizational growth and achievement of corporate objectives. Therefore, financial disclosure promotes transparency and accountability of managements as overseers of shareholders. This also facilitates the building of public confidence on the Banks concerned.

## **5.4 RECOMMENDATIONS**

Having gone through this study the researcher recommends the following as a way of incurring that financial report plays a vital role in investment decisions making. Some recommendations are formulated on the basis of the findings obtained.

1. Every Bank should ensure that all material fact is reflected in their financial report.
2. These should be prompt provision of the financial report at the end of each financial year.
3. Investment decision should not be on a vacuum or rule of thumb rather, the financial report should be used as bedrock.
4. Every bank should adhere to the demand of subjecting their financial report to statutory audit as a way of authenticating their contents
5. No investment decisions on a company should be taken without the consideration of a bank's financial report.
6. There is the need to maintain adequate accounting records;
7. All the reporting regulations and standards in the preparation of financial statement must be complied.
8. The accounting preparation must be consistent (that is, following the consistency concept.
9. Qualified and capable professionals should be employed for financial reports preparation and presentation.
10. Management should create conducive working environment and incentives that can encourage workers to put in their best.

## **AREAS OF FURTHER RESEARCH**

The researcher takes this opportunity to request other researchers to embark working on the following topics;

1. Effect of Financial Reporting on Investment Decision Making of Manufacturing Firms in Nigeria.
2. Financial Reports and Managerial Effectiveness in Planning and Decision- making.
3. Role of Financial Statement and Investment Decision Making.

## REFERENCES

- Maidok, P. B. (2013, may 13). Financial Reports and Managerial Effectiveness in Planning and Decision- making. *J Economics*, 4(1), 69-73.
- Adebiyi, . K. (2006, 12 09). ICAN Study Pack Financial Accounting. *V. I Publishing Ltd.* , 200-303.
- Anney, V. N. (2013, may 4). Ensuring the Quality of the Findings of Qualitative Research: Looking at Trustworthiness Criteria. *Journal of Emerging Trends in Educational Research and Policy Studies*, 5(3), 2141-6990.
- Barth, J. C. (2004, 09). ‘Bank Regulation and Supervision: What Works Best V. *Journal of Financial Intermediation*,, Vol. 13(14), pp. 205-248.
- D. Hurtmans2, M. P. (2009). Monitoring of atmospheric composition using the thermal infrared IASI/MetOp sounder. *Atmospheric Chemistry and Physics*, 6457-6790.
- Department of Banking and Finance, C. U. (2017, may 22). FINANCIAL REPORTS AND SHAREHOLDERS’ DECISION MAKING IN NIGERIA: ANY CONNECTEDNESS? *Journal of Internet Banking and Commerce*, Vol. 22, (No.S8 - 2 -), 220-230.
- Dr. Mbabazi, M. (06, September 2016., Septembber 06). EFFECT OF FINANCIAL STATEMENT ANALYSIS ON INVESTMENT DECISION MAKING. A CASE OF BANK OF KIGALI. *European Journal of Business and Social Science*, Vol. No,(5), P.P. 279 - 303.
- Dr.Puja Archana Sahu, P. D.-8., Sahu, D., & Charan, D. (2013,, August 23). Ratio Analysis is an Instrument – for Decision Making - A Study. *Asian Pacific journal of research*(Volume: I, Issue: VIII), 136-139.
- Duru. (2012, 6 8). Investment decision making. *Journal of Business management*, 3(2), 443.
- Ekta , J. D. (2013, 3 12). management of direct seeded rise for enhanced resource. *Plant knowledge journal*, 4(2(3)), 2200-5404.

- Ensuring the Quality of the Findings of Qualitative Research: Looking at Trustworthiness Criteria . (n.d.). *Journal of Emerging Trends in Educational Research and Policy Studies* .
- G. ., ((2004),). Bank capital and credit risk taking in emerging market economies. *Journal of Banking Regulation*,, Vol. 6,(no. 2,), pp. 128-145.
- Kefela, G. ( 2011 , May 4). Implications of financial literacy in developing countries. *African Journal of Business Management*, Vol.5 (9, pp. 3699-3705.
- Kefela, G. T. (2010, December 23). Knowledge-Based Economy and Society Has Become a Vital Commodity to Countries. *International Journal of Educational Research and Technology*, Vol 1 [2] , 68 - 75.
- Mbabazize, D. M. (2016, September 06). EFFECT OF FINANCIAL STATEMENT ANALYSIS ON INVESTMENT DECISION MAKING. A CASE OF BANK OF KIGALI. *European Journal of Business and Social Sciences*, , Vol. 5, No. , P.P. 279 - 303.
- Mercy A.A. ( 2014). The role of financial statement in investment decision making; A case study of first bank of Nigerian Plc), *International. journal of accounting information system* , (2),, (2), 91-105.
- Michael, L. H. (2013, 7 12). The investment behaviour of chinese listed firm. *Journal of finance and mangement Studies*, 4(5), 213.
- MOHAMMED, A., & ABUBAKAR2, . A. (2016, (April,). THE EFFECTS OF FINANCIAL REPORTING ON INVESTMENT DECISION MAKING BY BANKS IN NIGERIA. *International Journal of Research in Finance and Marketing*, Volume 6,(Issue 4), (ISSN 2231-5985).
- N. , A. V., & Vicent, N. A. (2014, 3 23). Ensuring the Quality of the Findings of Qualitative Research: Looking at Trustworthiness Criteria. *Journal of Emerging Trends in Educational Research and Policy Studie*, 5(2), 272-281.
- Ngugi, R. (2001, 23 6). An Empirical Analysis of Interest Rate Spread in Kenya. *AERC Research Paper 106*,*frican Economic Research Consortium*,, 6(2), 106.

Pandeg, I. M. (2005, 6 12). rore of investment decision in fianacial reporting. *investment decision making*, 4(2), 141.

Pandey. (2000, 9 8). The role of financial reporting on investment decision making. *Journal of Business managemet*, 3(5), 345.

Popoola, e.-a. (2014, 8 9). Role of management decision in investmen security. 5(3), 453.

S, p. f. (1995, 4 7). The role of accounting information in managerial decision making. *business and finance*, 2(1), 170.

S, p. f. (1995, 3 23). The role of financial reporting in managerial decision making. *Busines and finance*, 5(3), 170.