

# Financial Statement Analysisa tool for Investment Decision Making in the Gambia: Case of Trust Bank Gambia Limited

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## ABSTRACT

This study intended to investigate financial statements analysis and investment decision making in The Gambia. The study questions were to examine how financial statement analysis aid potential investors in investment decision making, evaluate the performance of a company for investment decision making, and appraise the fundamental use of financial statement analysis information. The approach was to work with potential investors, big bank depositors and shareholders to achieve the set objectives. The paper used accounting ratios and financial report analysis, namely, liquidity ratio, efficiency ratio and profitability ratios, which might affect the financial performance of the firm. In summary, the approach and research methodologies involved, desk study to review current literatures, and the actual field research study. Data analysis was conducted base on data collected. The explanatory analysis was used. The findings show that financial statement analysis is critical in investment decision making. The respondents appeared to be knowledgeable with financial variables specifically, the liquidity ratios and profitability ratios. The government intervention in financial reports, and unqualified audit reports help vitally in having an accurate opinion. Conclusion was based on findings that investor needs to get proper interpretations of financial statement analysis reports, making consultations and get other none financial information in investment decision making. The findings of this study show that 80% of the respondent was in favor that financial statement analysis is very essential in making an investment decision. This is true.

**Keywords:** Financial statement analysis, Investment decision, Performance, Profitability, Liquidity, Efficiency

## INTRODUCTION

### Background

The financial statements constitute an adequate report of the economic activities of an institution, [1]. These are written reviews that quantify the economic performance and liquidity of the institution. It highlights the economic outcomes of the company's transactions and activities at the institution [2].

There are various ways or methods adopted by investors, accountant and financial analysts to analyze and interpret the financial position of an institution or company, [3]. The primary objective of the financial statement analysis is to inform the potential investors, shareholders, and management regarding the institution's current state [4].

A financial statement is defined by Accounting Standard Committee (ASC) as a statement of financial position, comprehensive income statement and statement of source and application of fund, notes and other statements which collectively are intended to give a true and fair view of the financial position and profit and loss of a company [5]. Several companies incorporate noncurrent asset

valuation in the financial statement in which the depreciation charge in profit and loss is based on the revalued amount. Some of these corporate organizations draw up their financial statement on a current account basis. This is rare compared to the use of historic cost or modified historic cost.

Both large and small institutions and organizations particularly in addition to the legislating requirement and to keep investors and to attract potential ones through the publications of their financial statement, and financial statement analysis is critical in making an effective and efficient investment decision, [6]. If investors do not make any research on stock investment then they will face be the face and engage in glorified gambling.

This discussion and illustration of this paper will be centred on the financial statement presented to stakeholders and also available to potential investors and stockholders as a means of acquiring information for effective and efficient decision making by using ratio analysis, [7]. Ratio analysis is the better tool for measuring liquidity, solvency, profitability and management efficiency of the organization, [8]. As important therefore the exercise of making investment decisions after a careful analysis of the financial

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statements. The question is how many Gambians investors are using this path?

### Statement of Research Question

This research work will intend to look into the extent to which investors carry out, and rely on the results of the financial statement analysis before making their investment decision, and the employment by the companies of the financial statement analysis in evaluating their respective performance and that of their respective management. It has been observed that the role of financial statement analysis in investment decision making in The Gambia has some problems for both investors and management of the business organization who are either not aware of the importance of the interdependence relationship that exists between them. This is the first study to my knowledge in The Gambia to look at this issue.

### Statement of Research Questions

The following are the questions to be considered in my research.

- To what extent do investors rely on the analysis of financial statements to base their investment decision?
- Do Gambian investors base their investment decision mainly on the process of financial statement analysis?
- Do Gambian investors rely on other factors other than financial statement analysis for making investment decisions?

### Statement of Research Hypothesis

My study will consider two main hypotheses.

- Gambian investors rely on financial statement analysis for their investment decision
- Gambian investors rely only on other factors for their decision making.

### Objective of the study

The general objective is to ascertain the role of financial statement analysis in evaluating performance and its impact on investment decision making. The specific objectives are as follows.

- To find out whether stakeholders such as investors carry out analysis of financial statements before making an investment decision.
- To highlight the importance of financial statement analysis to the performance of the company
- To know the extent of financial statement analysis to investors.

### Significance of the Study

This study is important because of the benefit it will give to the following stakeholders.

The researcher: During the research process, the researcher will be able to aim across different mechanisms of financial statement analysis serve as an experience to the researcher.

Respondent: The respondent of the questionnaires will benefit from the study as it will help upgrade them as far how financial statement analysis in investment decision making is concerned.

Academics: Students and lecturers can use the study as a source of

reference when conducting similar research.

### Scope of the Study

This study will cover the following areas.

- Financial statement analysis
- Investment analysis
- Respondent/Sample

### Definition of Terms

**Financial Statement:** A financial statement is a formal record of financial activities and the position of a business, person, or other entities. Relevant financial information is presented in a structured manner and in a form easy to understand, [9].

**Statement of Financial Position (Balance Sheet):** A statement of financial position reports on a company's assets, liabilities and owners' equity of a company during the stated period, [10].

**Income Statement:** Income statement or statement of profit and loss reports on a company's income, expenses and profit over a period. A profit and loss statement provides information on the operation of the enterprise. These include the sale and various expenses incurred during the stated period [10].

**Financial Statement Analysis:** A financial statement analysis is the use of analytical or financial tools to examine and compare financial statements to make business and investment decisions. In other words, financial statement analysis is a way for investors and creditors to examine the financial statements and see if the business is healthy enough to give loans or to invest in, [11].

**Investment Analysis:** Investment analysis is the process of evaluating investment for probability and risk, ultimately has the purpose of measuring how the given investment is a good fit for a portfolio.

### Research Design

Research design is a plan, a way and blueprint strategy of investigation conceive to gain answers of the research question, it is the centre of any research design is a model or an action plan upon which the whole research is built, dictates in the manner in which research is conducted and provide the roadmap of the study in term of sample data collection instrument and analysis procedures. Approaches, on the other hand, are paradigms research framework which may be either quantitative or qualitative or both, [12].

### Nature of the Research

The nature of the research work will be carried out is going to be expletory and simple descriptive statistics as it will help to describe the basic features of the data in this research.

### Source of Data

Primary and secondary data will be used to carry out this study starting with.

- Primary Data.

Under this section, the following will be used

**Questionnaire:** this will be used for the selected studies, targeting shareholders, investors, creditors, etc. to provide answers to the questions.

### • Secondary Data.

The secondary data will be obtained from the literature review.

Data Analysis: Simple descriptive statistic will be used because it is the most suitable analytical tool for this study as it will describe the basic features of data in this research.

Sampling Techniques: Out of the population all the listed companies in The Gambia, stratified sampling technique will be adopted as the sample will be divided into two strata and in each stratum, one company will be selected, this technique will be suitable for the study.

### Limitation of the Study

The study is limited by three factors namely.

- Scope Limitation: Out of all registered companies in The Gambia only one will be selected, therefore any conclusion that the study arrives at is limited by the scope, it is confirmed to the selected study.
- Respondent Limitation: The second limitation is that the research is going to base on the information received from the respondent through questionnaires.
- Conclusion Limitation: Another limitation is that the conclusions of this study will be based on the scope covered.

### Literature review

A literature review is generally conducted to review the present status of a particular research topic, by other authors from a survey of the literature. a researcher can know the quantum of work already done on his or her new research topic so far not touch, or yet to be undertaken, [13]. In this chapter, we will view earlier studies conducted by other researchers relating to financial statement analysis and investment decision making. Considering three journals relevant to this study I will review and identify the gaps in earlier studies and seek to fill those gaps.

### Review of Earlier Studies

Many studies that relate to financial statement analysis and investment decision making are discussed in brief below.

The main aim of the study done by [14] of the study is to be aware of financial statements and to identify its contribution to the investment decisions of an organization. The study was conducted to Bamenda police cooperative credit union Ltd, and it concludes that financial statements have a huge impact on investment decisions in microfinance companies. The used both primary and secondary data to gather data and they were analyzed by descriptive statistics.

The study of [15] presents a framework on the effect of financial statement analysis on investment decision making. Their study adopted a descriptive survey design and targeted population from the respondent from the bank of Kigali's main branch in Rwanda. The data collected was used to examine the effect of financial statement analysis on investment decision making by commercial banks in Rwanda. They recommended that investment decisions should not be a vacuum or rule of thumb rather. No investment decision on financial institutions should be taken without consideration of the financial statement.

The study that has been done by Al-Aamri and Alrikab (2007) was

focusing on one of the important techniques in financial statement analysis namely the financial ratios, to evaluate the performance of petroleum project company, and to find out the main strength and weakness point to suggest remedial action for the treatment of negative point and enhance positive ones. The paper contains detail study of the data include in the financial statement to explain the financial performance of the company and that will help the management for planning the future according to the previous performance of that company, and also contain the converting process of the data of financial statement to meaningful information through several techniques, the financial statement analysis through them.

[16], the study was made to investigate the role of financial statements in investment decision making. The study question was to examine how financial aids investors in decision making, evaluating the performance of a company for investment decision making and appraise the fundamental use of financial statement information. She further recommended that investors need to seek consultancy services in the use of financial reports to make an investment decision. The conclusions and recommendations were made from the information received from Tango Port Authority.

According to [17], the study analyzed the performance of the financial statements of two big retail businesses of Australia, Myer Holdings and David Jones. The statements were obtained from the company's official websites, for a period of ten years, from the year 2009 to 2018. The study concludes that in 2012 both companies were not favourable in terms of profitability but as of 2018 Meyer Holdings is showing proper growth than David Jones.

The study conducted by Prof. [2] primary aim of this research was to ascertain how firms could investment decision making could be based on financial statement analysis in the selected company.

The research shows, financial statements play a vital role in an organization's performance and management decision making. Data were extracted from both primary and secondary to conclude that financial statement analysis a mechanism used to make an investment decision.

### Gaps Identify in Earlier Studies

Financial statement analysis is a key tool used by individuals, creditors, stakeholders and potentials investors in determining a company's performance in investment decision making. Company's use various accounting methods to minimize their risk of making the wrong investment decision. As in previous studies, the three main points that are common to all the studies was what relationship exists between financial performance and financial statements. Amina Haji Nkuh (2016) focus on the financial statement and investment decision making, she chooses only selected study (Tango Port Authority) which is not enough to draw a constructive decision or opinion and also sets of analytical tools are not laid out to show how to determine performance and also to determine whether the company worth investing or not before putting your money into it. Likewise, Al-AaminAlrikab (2007) also focused on how to determine performance by using techniques by financial statement analysis namely, financial ratios. But his studies did not cover how to aid potential investors in making investment decisions. And also [15] focused on the effects of financial statement analysis and investment decision making, but they drew their conclusion from information received from the employees of the selected studies. And my research is intended to gather

information from employees of the institution, shareholders and potential investors. And also it will intend to remedy the gaps by focusing on an institution whose primary objective is to maximize profit and its two-year financial statement will be used to compare their performance

### Remedying Gaps in Earlier Studies

Financial statement analysis and investment decision-making tools vary with the line of business of a company. This research will be done or carried out within the geographical region of The Gambia and it will comprise two years' financial statement of the selected study, Trust Bank Limited. It will seek information from the main depositors, shareholders and potential investors to the company or institution. In this case, my research will be able to provide a result that could be generalized and provide more accurate findings.

### Brief Profile of Selected Companies

The company selected for the entire study is Trust Bank Limited. It will be beneficial to give a brief profile on each of the selected case studies as it will give of what they are in to.

#### • Trust Bank Limited

Trust bank was incorporated in July 1997 and currently has 13 branches and employs approximately 238 people. Trust bank took Meridian Biao (Gambia) which has been by pressure in English speaking Africa. It was listed on the Ghana stock exchange in November 2002. The major shareholders of the bank are Social Security and Housing Finance Corporation, Data Bank of The Gambia and other prominent Gambian institutions and individuals. On the home front, The Gambia Chamber of Commerce awards it the bank of the year for consecutively 2003 and 2004. In the year 2016 Global Finance awarded Trust Bank Limited; best bank The Gambia in 2003, 2004 and 2005. The banker's magazine a subsidiary of financial times awarded Trust Bank Limited as the bank of the year of The Gambia. They provide internet banking service that enables their customers to check account balances and historic transaction and also the transfer of funds between their accounts, Report, (2018).

## RESEARCH METHODOLOGY

This chapter presents the steps on the choice and rationale about all decisions in the implementation and planning of strategies that will be adopted data and undertake analytical aspects, Henning (2004:36) describe the methodology as a coherent group of method that complement one another and that can fit to deliver data and findings that reflects the research question and suit the research purpose.

### Restatement of Research Question

The following are the questions to be considered in my research

- To what extent do investors rely on the analysis of financial statements to base their investment decision?
- Do Gambian investors base their investment decision mainly on the process of financial statement analysis?
- Do Gambian investors rely on other factors other than financial statement analysis for investment decisions?

### Population of the Study

This is the set of people or entities to which findings are to be generalized. In determining financial statement analysis and investment decision making in The Gambia, the study will focus on bank depositors, shareholders, and potential investors.

### Sampling and Sampling Techniques

Out of the registered companies in The Gambia, simple random sampling techniques will be adopted as one selected company will be used to generalize the findings in the single company selected.

### Source of Data

There will be two major means of data collection and which are primary and secondary data collection.

#### Primary Data

Under this section, questionnaires will be issued out to acquire information from the respondent.

The questionnaire will be used for the selected studies targeting shareholders, investors, and depositors to provide answers to the research questions.

#### Secondary Data

The secondary data are information received from the second or third parties. Such information is obtained from the literature review

#### Data Instrument

Questionnaires will be adopted for the research as an instrument for collecting data.

#### Research Design

According to (Kothari 2004) research design are the plan, a roadmap and a blueprint strategy of investigation conceived to obtain answers to research questions. It is the heart of any study. Research design is a model or an action plan upon which the entire study is built. It also dictates how a study is conducted and provides the roadmap of the study in the term of sample data collection instrument and analysis procedures. Approaches, on the other hand, are paradigms research framework which may be either quantitative or qualitative or both mixed approach. A good research design is often characterized by adjectives like flexible, appropriate, efficient and emotional and the like. Generally, the research design which minimizes bias and maximizes the reliability of data collected and analyzed is considered to be a good design. (Kothari, (2004).

However, the research design for this study will also help solve the research problem and hence answer the research question by generating adequate data through the use of different techniques source of data analytical tool, etc.

#### • Area of Study

In this research work, the researcher will use Trust Bank as a case study.

#### • Sample Size

Data will be collected from the depositors and potential investors



of Trust Bank Limited.

#### • Sampling procedures

The study will adopt a convenience non-random sampling approach due to the inability to specify a sampling frame. Convenience sampling involves selecting cases they are the easiest to obtain a sample.

#### Source of Data

This refers to where the information originates from carrying the study. The research made use of both primary and secondary sources of data.

Source of Primary Data: primary data are original or first nature. The advantages of this type of data are that the exact information wanted is obtained. The primary data will be obtained from the issuing of a questionnaire to the respondent.

Source of Secondary Data: Secondary source of data involves information gotten from already conducted research work that relates to the study. These include internet, journal, textbook, and magazines.

#### Data Analysis

The simple descriptive statistic will be used because it is the most suitable analytical tool for research. As it will be used to describe the basic features of the data in the study.

#### Financial Ratio Analysis

A financial ratio (Accounting ratio) is a relative magnitude of two selected numerical value taken from an enterprises financial statement. Often use in accounting, there are many standard ratio use to try to evaluate the overall financial condition of a cooperation or other organization. Financial ratios maybe use by managers within a firm, by current and potential shareholders (owners) of a firm, and by a firm's creditors. Financial analysts use financial ratios to compare the strengths and weaknesses in various companies, Hasanaj & Kuqi, (2019).

#### Profitability Ratio Analysis

This measures the performance of a company and its managers; it indicates how a company utilized its available resources. Profitability is usually represented in percentage and it can be noted that the higher the percentage the more favourable it is to the business.

**a) Net Profit Margin:** Net profit margin is under the profitability ratio, which can be determined by dividing the net profit after taxation by revenues or net interest income. It measures how much Trust bank limited is earning from its every take of revenue. Net Profit Margin = Net Profit after Taxation / Net interest Income.

Name of Ratio	2018	2017
Net Profit Margin	26.60%	23.65%

Also, high net profit is favourable to company continuity and growth. It indicates either sales prices are high or that production cost is been kept well under control or the expenses of the firm are been properly managed, moreover in this case the firm is more concern to be cost-efficient (meaning to reduce cost at its lowest level, which would affect the net profit by increasing it. Through the analysis of the net of the two years (2018 and 2017) of Trust Bank Limited, the 2018 net profit percentage is higher than that

of the 2017 net profit percentage by a margin of 2.95% (26.60% - 23.65%). This might be since the cost of expense in relation to revenue was higher in 2017 than in 2018. So in conclusion, the net profit percentage of Trust Bank limited was better off in 2018 than that of 2017.

**b) Return on Assets (ROA):** The Return on Assets is also under profitability ratio which shows the profitability of a bank to its total assets. ROA gives an idea that how efficient the management of a bank is to generate profits using its assets. Return on Assets (ROA) = net profit/total assets

Name of Ratio	2018	2017
Return on Asset (ROA)	1.34%	1.37%

ROA is the only used under the profitability ratio. Since Trust Bank Limited is a part of the banking industry and most of the assets come from the debt which was the reason for its low net profit as well as poor ROA. Our findings show a lower ROA in 2018 than that of 2017 with a margin of of 0.03%.

**c) Return on equity (ROE):** Return on equity gauge the profitability of a bank, which determines how much net profit that bank generates with the amount of money the shareholders have invested as equity. Return on Equity is calculated by dividing net profit by the total equity (ROE = net profit/ total equity).

Name of Ratio	2018	2017
Return on Equity (ROA)	12.82%	12.02%

Return on Equity is a very common ratio shareholder of any bank; the higher the percentage is better for the bank as well as for shareholders. As the result shows an increase of ROE by a margin of 0.8% (12.82% - 12.02%). This clearly shows that the Trust Bank limited were better off in 2018 than 2017 in terms of the Return on Equity.

#### Liquidity Ratio

This measures the financial structure and stability of the company. It also determines the company's ability to pay its' maturing obligations and to meet unexpected cash needs in the short run.

**d) Current Ratio:** This aspect of ratio analysis is determined by dividing the total current assets of a company by their total current liabilities (Current Ratio = Current Assets / Current Liabilities). It clearly shows companies like Trust Bank limited meet its current liabilities through its current assets.

Name of Ratio	2018	2017
Current Ratio	0.57:1	0.56:1

In 2018 the bank's current ratio was 0.57:1 and 2017 were also 0.56:1. The current ratio has been a bit high than the previous year as current assets increase also current liabilities increase in a higher proportion which is good for the bank. The higher the current ratio is better for the bank because this higher ratio helps to prevent getting default. In conclusion in terms of the current ratio for Trust Bank Limited was better off in 2018 than to that of 2017.

**e) Total debt to equity ratio:** It is among the banking financial leverage which is measured by dividing its total liabilities by stockholders equity (Total Debt to Equity Ratio = Total Debt / Total Equity). It mainly shows the amount of equity and debt that a bank is using to finance its assets.

Name of Ratio	2018	2017
Total debt to equity ratio	2.22:1	1.34:1

Just like all banks, Trust Bank limited most of the funds collected from bank deposits. In 2018 and 2017 the ratio was 2.22:1 and 1.34:1 consequently. The result shows that in 2018 and 2017, Trust Bank Limited financed most of its assets through the debt which means through bank deposits. As a result Trust Bank Limited is doing well by increasing its deposits over the years like 2018. This higher outcome over years not only increases the risk but also increases the profit.

**f) Total Equity to Total Asset Ratio:** Total equity to total asset ratio is one of the liquidity or leverage ratios that are frequently used by institutions, especially the banking sectors. It assesses how much of the bank's assets are been financed by the equity.

Name of Ratio	2018	2017
Total Equity to Total Asset Ratio	0.10:1	0.11:1

Trust Bank Limited 2017 and 2018 the ratios were 0.11:1 and 0.10:1 respectively. In the 2018 total asset increase and the total equity decrease, the total equity to total asset ratio decreased than the prior year.

#### Efficiency Ratio

This usually measures the efficiency of assets usage of a company, this ratio is essential to the company's continuing operations.

**g) Assets Turnover:** Assets turnover ratio determines the turnover of the institutions' total assets. It is measured by dividing net interest income by total assets (Net interest Income / Total Assets).

Name of Ratio	2018	2017
Assets Turnover	0.05:1	0.06:1

Trust Bank Limited's asset turnover ratio was almost at per. The ratios for 2018 and 2017 were 0.05:1 and 0.06:1 respectively. These indicate that Trust Bank Limited was not generating an adequate volume of income given to its total asset investment. To improve this, Trust bank Limited needs to fully utilize its sources of the fund on those assets which may increase its revenue to the bank.

**h) Fixed Asset Turnover:** The fixed assets turnover ratio determines how effectively the bank uses its fixed assets or long term investment (Net interest Income / Fixed Assets).

Name of Ratio	2018	2017
Fixed Assets Turnover	0.50:1	0.51:1

The analysis of this ratio shows minimal differences. In the years 2018 and 2017 the ratios were 0.50:1 and 0.51:1 respectively which is declining over the years. This lower fixed-asset turnover ratio indicates that Trust Bank Limited had less effectiveness in using their investment in fixed assets to earn its revenues and it is declining compared to the prior year.

**i) Rate of Return on Loans:** The ratios measure the bank's solvency and performance on loans.

Name of Ratio	2018	2017
Rate of Return on Loans	0.06:1	0.07:1

In 2017 and 2018 the ratios were 0.07:1 and 0.06:1 respectively. The rate of return at loans of Trust Bank Limited is reducing as compare to the prior year. This shows that the bank is not in a good position when we compare to the interest income of Trust Banks Limited with its loans. From the year 2017 to 2018 the rate of return is declining which clearly shows that the company

becomes more competitive over the years. Thus the bank's earning over years is declining favour of interest income on its loans.

## Data Presentation analysis and Findings

This area provides information on the findings, analysis of the data collected, and the presentation of the findings. This section is organized into four distinct parts. Sections present demographics, main questions, section, and present an analysis of the performance indicators

### Demographics

This section presents the results collected from the responses gathered from the respondents including the gender of the respondents, the departments the respondents belong to, the number of years they had in the company, their academic qualifications, and then frequency tables were used to analyze the data from the respondents.

#### Gender Distribution

Gender	Frequency	Percentage
Male	53	53%
Female	37	37%
Unreturned	10	10%
Total	100	100%

Sources: Field survey, 2019.

#### Analysis

The above table shows a gender proportion of male respondents of 53% and female respondents of 37%, though the distribution was not of equal proportion both categories of gender participated in this research.

### Findings

This helps to make sure that there is no bias in the research instrument in the case of the gender of respondents. The distribution was fair between the genders.

#### Organization Distribution

Organization	Frequency	Percentage
Trust Bank Limited	37	37%
Non	63	63%
Total	100	100%

Sources: Field survey, 2019.

#### Analysis

The questionnaire was distributed to trust Bank Limited and investors.

#### Findings

All questionnaires were distributed to the distinctive respondent needed to acquire information.

#### Experience Distribution

Years Of Experience	Frequency	Percentage
1 - 4years	13	13%
5 - 10years	30	30%
11years above	47	47%
Unreturned	10	10%
Total	100	100%

Sources: Field survey, 2019.

## Analysis

In analyzing the experience of the respondents, 13% respondents have been working for 4 years and below, 30% representing 9 respondents had 5-10 years of experience in the company, and a greater proportion (47%) of the survey have been in the company for 14 years and above.

## Findings

Surveys showed that the majority of the respondents have been working for at least 5 years. This shows that employees within my survey are well experienced in responding to the questionnaire.

## Qualification Distribution

Qualification	Frequency	Percentage
Certificate		
Diploma		
Degree	27	27%
Masters	40	40%
PhD		
None	23	23%
Unreturned	10	10%
Total	100	100%

Sources: Field survey, 2019

## Analysis

The above table shows that the majority (40%) has a professional qualification, and 27% of the respondents are degree holders, only 23 correspondents attained no qualifications other than the above; it constitutes only 23% of the total respondents.

## Findings

As far as educational attainment is concern the majority of the respondents have attained university degrees or professional qualification. The outcome shows that the respondents had no issues in responding to the questionnaires thus they have all the reasonable capacity and ability to adapt to the internal control system.

## Main Question

This section presents the analysis of the hypothesis presented on the questionnaires and then gathered the main findings of the survey. (Hypothesis 1)

Sources: Field survey, 2017

## Analysis

As clearly indicated in the above table with a proportion of 60% of the respondent strongly agreed and 30% agreed that financial statement is useful for investment decision making in The Gambia.

## Findings

Base on the respondent's perception, the result showed that the majority of the respondents express the opinion that financial statement analysis significantly contributes to investment decision making. (Hypothesis 2)

Sources: Field survey, 2019

## Analysis

As clearly indicated in the above table, whereas 46 % of the

respondent agreed, 33% strongly agreed and while only 10% are not sure but we can manifest that banks give out loans to the customer after analyzing the financial statement of customers (loan applicants).

## Findings

Banks give out loans to the customer after analyzing the financial statement of customers (loan applicants). To this question the answer was a complete yes and that this knowledge developed over the years for the basis for good investment decision making. (Hypothesis 3)

Sources: Field survey, 2019

## Analysis

Regarding this hypothesis 33% Of the respondent strongly agreed and 56% agreed to those investors in Trust Bank base their decision on the results of financial statement analysis.

## Findings

The opinion from the respondents regarding decision making is based on the results of financial statement analysis. Then we can conclude that financial statement analysis is adequate to be used by Trust Bank Limited and Gambia National Insurance Company to base their investment decision making process on. (Hypothesis 4)

Sources: Field survey, 2019

## Analysis

Base on the table above 17% of the respondent agreed, 63% strongly agreed and only three respondents did not agree with the fact that big depositors in banks base their decision on financial statement analysis.

## Findings

With regards to the information-driven from the respondent through the questionnaire, the opinion is yes to the statement which states that big depositors in banks base their decision on financial statement analysis because the majority of the respondent agreed to it. (Hypothesis 5)

Sources: Field survey, 2019

## Analysis

The table above shows a proportion of 53% of the respondent agreed, 37% strongly agreed which amounted to 90% of the respondent agree that shareholders and investors base their decision on financial statement analysis.

## Findings

Base on the analysis we conclude without any iota of doubt that shareholders and investors base their decision on financial statement analysis. (Hypothesis 6)

Sources: Field survey, 2019

## Analysis

In reply to the question regarding whether financial statements of Trust Bank limited are always published and made available to the

general public. 63% strongly agreed, 17% agreed and 10% were not sure of the question.

### Findings

The finding shows that financial statements of Trust Bank Limited are always published and made available to the general public because the total of 80% all agreed to the question (Hypothesis 7)

**Sources:** Field survey, 2019

### Analysis

According to the table above 37% of the respondent strongly agreed, 53% agreed to the question which states that financial statements published by Trust Bank are easily understood by investors, shareholders, and potential investors.

### Findings

Base on the finding drawn from the respondent through the questionnaire. It clearly manifested that financial statements published by Trust Bank Limited are easily understood by investors, shareholders and potential investors due to the fact that the total sum of 90% of the respondent agreed to the question. (Hypothesis 8)

**Sources:** Field survey, 2019

### Analysis

From the respondent point of view, 33% replied strongly agreed, 47% agreed and 10% were not sure of the statement which states that the information in the financial statement of Trust Bank Limited is sufficient to assist in investment decision making

### Findings

The results show that information in the financial statement of Trust Bank Limited is sufficient to assist in investment decision making due to the proportion of percentage driven by the respondent (Hypothesis 9)

**Sources:** Field survey, 2019

### Analysis

According to the respondent 23% strongly agreed, 57% agreed and 10% are not sure of whether financial statement analysis is the only means of determining profitability, liquidity, and solvency of a Trust Bank Limited.

### Findings

From the opinion drawn from respondents with the total sum of 80% agreed so, therefore, I can give an unqualified opinion that financial statement analysis is the only means of determining profitability, liquidity, and solvency of a Trust Bank Limited. (Hypothesis 10)

**Sources:** Field survey, 2019

### Analysis

According to the table above 33% of the respondent strongly agreed, 57% agreed to the statement which states that financial information in the financial statement of Trust Bank Limited is

of very high quality in terms of disclosing all relevant information about the state of affair about the result of financial performance whenever they are published.

### Findings

From the opinion, the total sum of 90% of respondent strongly agree and agree to the statement that financial information in the financial statement of Trust Bank Limited is of very high quality in terms of disclosing all relevant information about the state of affair about the result of financial performance whenever they are published

### Recommendation Distribution

What do you recommend to investors and shareholders to the use of financial statement analysis in investment decision making?

- Make proper interpretation
- Seek financial advice from financial experts

### DISCUSSION

This research study was set out to study financial statement analysis in decision making (a case of Trust Bank Limited). This is because prospective investors, shareholders and bank depositor uses financial statement analysis as a parameter for assessing profitability, liquidity and solvency for investment decision making. This study was done on investors, shareholders and bank depositors as means of acquiring information from them in order to base the findings on it.

The results from the findings of this study shows that 80% of the respondent were in favour that financial statement analysis is very essential in making investment decision, as this research is exploratory 100 questionnaires were issued and administered to potential investors, shareholders, senior management of Trust Bank Limited, and only three were not returned. It appeared clearly that majority of the respondents shared the opinion and thoughts that, if there is proper evaluation of financial statement analysis the risk of making wrong investing decision will be minimal.

The study of [2] also indicated that investors and shareholder are confident about financial statements analysis in investment decision making. This is mainly because it was also found that to a large extent the financial statement reports are adequate enough for effective decision making. [4] Findings clearly showed that the financial statement analysis directly correlate to an effective and efficient investment decision making.

### CONCLUSION

This study presents a model for the financial statements analysis of a financial statement and uses Trust Bank Limited as the selected study.

The research study shows that financial statement analysis performs a vital role on investment decisions making and organization performances, which has been shown to be major force in investment decision making. This is ascertain by implementing the best fundamental concepts of financial statement analysis for any company or institution. Trust Bank Limited made the researcher to understand that, for any organization, or individuals to make to make a successful investment decision, it should endeavor to make use of financial statement analysis because accounting itself



is a language of business, and before venturing into any business, one must know the right method to achieve the stated goals and objectives. It is evident that the accounting information factors loom large among factors, which contribute to the overall corporate efficiency.

## RECOMMENDATIONS

- Investment decision should not be on a vacuum or rule of thumb rather, the financial statement analysis should be used as the bedrock and the volume of liabilities acquired by financial institutions should be minimal and invested wisely to avoid its negative effect on the profit of the institutions which will discourage prospective investors.
- No investment decisions on a financial institution should be taken without the consideration of a company's financial statement analysis.
- Investors are strictly advised to use financial information in making any investment move. This is because it does help them to take various investment opportunities beforehand.
- There is a need for investors to seek consultancy services in the use of financial reports to make investment decisions.

Every company or institution should ensure that all material facts as regard the assets and equity of the, organization should be reflected in their yearly financial statement. As such, the financial institutions should adhere to the demand of subjecting their financial statement to statutory audit as a way of authenticating their contents.

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