

# Accounting Information and Decision Making in the Banking Sector (Bank of Agriculture)

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## ABSTRACT

The main aim of this study is to examine accounting information and decision making in the Banking Sector in Nigeria, using Bank of Agriculture in Yenagoa, Bayelsa state as a case study. Data were collected through primary and secondary sources. Survey data were obtained from respondents using questionnaire. The collected and validated questionnaires were analyzed using frequency tables and percentage. While the hypotheses were tested using chi-square statistical tool. The result of the findings reveals that Bank of Agriculture relies on accounting information as a tool for decision making, Accounting information is effective in decision making. The findings also revealed that accounting information have contributed to the profitability of the organization, the quality of accounting information was a key factor in decision-making. In regard to the findings, the study recommends that banks should continue to improve the quality of their accounting information and the use of it in decision making. Specifically, bank of Agriculture should ensure that their accounting information is accurate and complete, and that they have robust systems in place to verify and validate the information. In addition, they should train their staff to properly interpret and use accounting information.

**KEYWORDS:** Accounting, Information, Bank, Management

## INTRODUCTION

All firms are struggling to heighten their profitability and their revenues within the utilization of available source and make fast decisions based on proper and right information instantly which in this issue has raised the point of accounting information systems. One of the most effective uses of accounting information is decision making. Decision making has been described as a purposeful choosing from a number of alternative causes of action. AIS is a collection of computer based electronic systems used for collecting, storing and processing of financial and accounting data in view of supporting organizational decision-making processes (Bawaneh, 2014). The use of accounting information system in the banking sector will support the organizational processes, and influence its organizational performance. Banks in Nigeria have recently increased their investment in information system as a fundamental e-banking tool, capable of yielding significant contributions to their financial results especially in terms of cost efficiency.

The question now is, how business executive know the company is embarking on a favorable decision or

unfavorable one. The answer to this question is based on the management and the accounting information.

According to Ray (2019), most top level business executives have background in accounting and finance than in any other field. The essence of using accounting information is to enable managers make wise decision. It is also used (accounting information) to set up system of internal control to increase efficiency and prevent fraud in companies.

Accounting information aids in profit making, budgeting and cost control. In a company, it is the duty of the management accountant to see that his company keeps good records and prepare proper financial regulations. Management accountants also need to keep up with the latest development in the use of computers and in the computer system design. Accountants provides many special reports for management decision making. This function requires the gathering of both historical and projected data.

Notably, innovation in computer technology have significantly affected numerous organization practices

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and routine, including the accounting processes (Aleqab & Adel, 2013; Ismail et al., 2012). Inefficiencies resulting in the form of wrong data entry, ineffective tasks performance and large consumption of paper products, generated a lot of difficulties in daily business operations and at large, measuring organizational performance (Alabdullah et al.; 2018). It emphasize the importance of a holistic context and which led to the integration of other institutional influence and multiple logics. It is in this context that the research wishes to evaluate the effectiveness and uses of accounting information for decision making in banking sector.

In summary, accounting information is primarily concerned with data gathering from internal and external sources analyzing, processing, interpreting and communicating the result (information) for use within the organization so that management can make more effective plan, decisions and control operations.

### Objectives of the study

This study examines how Accounting information and decision making can help in the banking organization.

To identify how accounting information controls Fraud, mismanagement and irregularities.

To determine how useful and effective accounting information is to decision making in the banking sector.

The following hypotheses stated in the null form may be raised for testing.

**Ho1:** Accounting information does not control fraud, mismanagement and irregularities.

**Ho2:** Accounting information is not effective in decision making in the banking sector.

### LITERATURE REVIEW

The purpose of this review is to understand the use of accounting information and the role it plays in decision making seeking the option of various authors. Accounting research has become important in the corporate world and plays an important role in creating new knowledge with its theoretical frame work which is based on two main theories: Agency theory which suggest that there is a potential conflict of interest between managers and shareholders, and that this conflict can be mitigated through the use of accounting information. And Stewardship theory which suggests that managers are motivated to act in the best interest of the organization, and that accounting information can help them to make better decisions. We shall focus our attention on discussing;

1. Historical Review
2. Conceptual Review
3. Empirical Review

### Historical Review

The Bank of Agriculture Ltd on which this study is being conducted is the former Nigerian Agricultural Cooperative Bank Ltd which was later transformed to the Nigeria Agriculture Cooperative and Rural Development Bank Ltd. Hence, the researcher will address the Bank with its new name; Bank of Agriculture Ltd (BOA).

Bank of Agriculture limited (BOA) was incorporated in November 1982 when its memorandum and article of association were registered under the Nigeria company's decree of 1968. Bank of Agriculture annual account 1975 continued and the bank was inaugurated by the head of state General Yakubu Gowon in Lagos on March 6 1973 and it began operation effectively in 1973, the bank with its head office in Kaduna is set up as a private limited company and is today owned by a board of directors whose members are appointed by the Federal Executive Council. Bank of Agriculture is owned by the Federal government of Nigeria that subscribes the equity capital. However, the federal ministry of finance in 1979 became a joint owner of the bank in the ratio of 60% (federal government) to 40% central bank of Nigeria (CBN) following a capital restructuring approve by the federal government in April 1979. The bank started operation in 1974 with an authorized and paid-up capital of one million naira (N1m) which was increase to (N3m) three million naira in 1975 and was only subscribed by the federal government.

Bank of Agriculture was established by the government in 1913 as a specialized development finance institution to take care of the credit need of the agricultural sector of the economy. According to Bank of agriculture (1995) annual diary credit is carried out through the provision of loan to individual farmers cooperative organizations, limited liability companies, state and federal. In addition, the bank provides finance by direct investment in equity capital sharing of major agriculture and agro-allied industrial investment ventures. Furthermore, in exceptional cases, the bank also provide guarantee for viable agricultural and agro allied ventures to enable such ventures attract financing either locally or abroad. The activities of the bank are guided towards assisting in improving the income and welfare of the farmers, promoting rural development as well as increasing the nation's output of food and livestock to meet the need of rapidly increasing population. In this regard, attention will be directed not only to the review of article writing on the role of development bank in financing agriculture but also the role of agriculture in Nigeria.

### **Definition of Accounting Information**

Accounting information can be classified into two categories financial accounting or public information and managerial accounting or private information. Financial accounting include information disseminated to parties that are not part of the enterprise proper-stock holders, creditors, customers, suppliers, regulatory commissioners, financial analysts, and trade associations although the information is also of interest to the company's officers and managers. Such information relates to the financial position, liquidity (that is, ability to covert to cash) and profitability of an enterprise. (Rose:2014) managerial accounting deals with cost profits volume relationships efficiency and productivity, planning control, prize decisions, capital budgeting, and similar matters. This information is not generally disseminated outside the company. Whereas the general-purpose financial statements of financial accounting are as assemble to meet basic information needs of most external users, managerial accounting provides a wide variety of specialized report for division managers, department heads, project directors, section supervisors, and other managers. (Rose: 2014). Information system is a set of interrelated components which increases organizational competitiveness and provide reliable information for decision making Tambovcevs and Tambovcevs (2013). Accounting information system comprises of qualified individuals, hardware, software databases and set of procedures which interact together to provide useful information for effective decision making within an organization (El-dalabeeh & Al-Shbiel, 2012)

Accounting information should include aspects such as flexibility and companies' ability to adopt to change. The context of the flexibility does not appear in any of the accounting definition because the definitions were developed during stable periods. The environment has changed and uncertainty has increased. In view of the fact that flexibility is one of the outcomes of uncertainty, greater value will be attached to flexibility in organizations uncertainty situation.

### **Conceptual Review**

Accounting information refers to a system which records and report financial activities within an organization Amaefule and Iheduru (2014). Accounting information developed as far back as 4500 B.C where stewardship accounting information, they were able to plan their stock and wealth. Keeping of records of wages, taxes due of trade by barter. In the early 19th century when the Greeks and Romans developed a better and systematic book

keeping technique to the present day when machines are used in the accounting process.

Accounting has since received remarkable improvement with the increase in demand, for information in planning and decision-making result from changing environment has always brought about changes in accounting. Information made of what is accepted as accounting today would not have been recognized as such 50 years ago, changing social attitudes combined with development in information technology, quantitative methods and behavioral sciences has affected radically the environment in Which accounting operates today.

Accounting is moving away from the procedure base encompassing record keeping and such related work as the preparation of a budget and final accounts towards the adoption of a role which emphasizes social importance. Gautier and under down (2012).

Accounting information are financial position statements and other reports supplied by the accountant which shows the true and fair financial position of the economic activities of the organization. Accounting information includes the financial position, profit or loss and cash flow statements. Financial position according to Gautier and under-down (2012) is the statement of financial position that lists the accounting period it provides a measure of the capital invested by the owners in company or business. It is also made up of four main section that is Non current assets, current asset, Equity and liabilities. This classification simplifies financial analysis of business.

Profit or loss account shows the profitability of the business, it also shows the amount of economic activities that took place during the preceding accounting period and profit derivable from such economic activities. It shows the gross profit as well as the total profit of the organization within the accounting period. Cash flow statement is a statement that shows the cash movement in transaction engaged in by the firm for a particular period usually one year. The cash flow statement was introduced to replace the fund flow statement to make it easier for users of financial statement to relate cash availability and profit over a given period. We have two methods of calculating the cash flow in a firm, they are: Direct method and Indirect method. The Financial position, profit or loss account and cash flow statement together constitutes the financial statement of an organization.

Samuel (2011), indicated that accounting information systems are essential means for effective management for decision-making and controlling activities, also

for coordinating the activities of the organization. More over AIS produce high quality accounting information.

The information directs attention i.e. it answers questions about the operations or individuals that need attention in order to bring the organization closer to its objectives. The information helps in solving problems i.e. it answers the questions about the best way to perform a specific task or the best solution to a given problem, Garrison (2019) confirms the first by saying that management uses the information to plan effectively and focus attention on deviation from plans. It is also used to direct day –to-day operation and to arrive at the best solution to the operating problems faced by the organizations. Accounting information serves as a base for planning and decision making. It provides the various users the necessary data assistance in this direction. These users include; Management:

One cannot conceive any organization that does not have any objective. The primary objective for any business organization is profit making, this responsibility rests solely on the management. Although other environmental factors may modify the degree of profit sought, it must be realized that adequate profit is necessary for the survival and the growth of the business. To achieve the objectives, management must be able to plan, control and coordinate all the activities of the organization.

#### **Users with Direct Financial Interest**

These class of information users include, Investors (shareholders) and potential share holders, creditors and potential creditors and employees of the organization. Investors and potential investors.

#### **Share Holders and Potential Share Holders**

These are primarily interested in the financial information and management serves as trust of the investment. Shareholders have therefore found it necessary to know the performance of the business in which they have invested. They therefore make use of accounting information like annual reports and other financial statements.

#### **Creditors and Potential Creditors**

Creditors include debenture holder's interest and money-lenders who expect returns information of interest on the debentures or principal creditors and potential creditors alike have direct financial interest in the firm.

A critical study of the firm's annual report reveals the viability of the firm and the ability to pay the creditors. Banks, finance companies, mortgage companies, security firms, insurance firms and others

who lend money; creditors therefore make use of accounting information.

#### **Employees:**

Labor unions and employee study financial statement of companies as part of their duty to practice for important labor negotiations. Based on the information received through the financial statements, they are able to negotiate for higher pay bonus, other string benefits and other better working conditions. The use of accounting information is therefore important to employee.

#### **Users with Indirect Financial Interest**

Changing environmental factors have made the society large users of accounting information it is common knowledge that the government through her agents and the general public make use of accounting information in their day -to- day activities. These agents include tax authorities, regulatory agencies, economic planners and other groups.

#### **Tax Authorities**

Tax revenue is one of the major sources of finance of the government. This has prompted the establishment of internal revenue sections in all levels of government to deal with matters relating to the assessment and collection of taxes. Taxes such as PAYE, value added tax, (VAT) and excise tax are collected.

#### **Regulation Agencies**

These are government agencies set up for the purpose of regulating public corporations and companies. These agencies make use of accounting information to determine the rate at which shares should be used.

#### **Economic Planners**

Government will have to take active part in planning and forecasting information. Economic planners use accounting information to determine total production inventories, income, dividend, taxes and other economic statistics. This class of users of information is the general public. They are mainly consumers who have the interest in the financial statement of the firms for the purpose of ascertaining the success of the firm in their surroundings.

#### **Empirical Review**

Laudon & Laudon, (2016) revealed that an effective administrative control system is necessary to provide managers with information concerning functions and activities. Also, that banks do not ignore information system because they play a critical role in contemporary organization, they pointed out that the entire cash flow of most fortune companies is linked to information system. The application of information management system concepts, techniques, policies

and implementation strategies to banking services has become a subject of fundamental importance and concern to all banks indeed a prerequisite for local and global competitiveness. MIS directly affects how managers decide, how they plan and what products and services are offered in the banking industry. It has continued to change the way banks and their corporate relationship are organized worldwide and the variety of innovative devices available to enhance the speed and quality of service delivery. Zakaria et al (2017) assess the impact of accounting information systems on the users' tasks efficiency. The findings ascertain a significant impact of AIS on their task efficiency related to budgeting, financial reporting, auditing and financial controlling in the organization. Alnajjar (2016), investigated the impact of AIS on the management performance. They found out that AIS significantly impact the management performance. Through applying accounting information system the information obtained will be more useful for decision making in order to achieve the goals and objectives of the bank which will also increase performance.

## DATA PRESENTATION

### Analysis of Research Question

**Table 1 Accounting Information does not Control Fraud, Mismanagement and irregularities**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	52	$\frac{52 \times 100}{55}$	92
No	2	$\frac{2 \times 100}{55}$	4
Undecided	1	$\frac{1 \times 100}{55}$	2
<b>Total</b>	<b>55</b>		<b>100</b>

Source: Field Survey 2023

The table above shows that 52 respondents representing 92% said yes, 2 respondents representing 4% said no, while 1 representing 2% was undecided as answers to the above question.

**Table 2 Accounting Information is not effective in decision-making in banking sector.**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	49	$\frac{49 \times 100}{55}$	89
No	6	$\frac{6 \times 100}{55}$	11
Undecided	0	$\frac{0 \times 100}{55}$	0
<b>Total</b>	<b>55</b>		<b>100</b>

Source: field survey 2023

The table above shows that 49 respondents representing 89% said yes, 6 respondents representing 11% said no while none undecided as relates the above question.

Ali (2019) in his research titled "information quality and the organizational effectiveness; the moderating effects of organizational culture among conventional and Islamic banks in Jordan" found that the quality of information is the key to business growth as it indicates a positive effect on organizational performance and organizational culture improves and increases business performance when combined with information quality.

## METHOD DATA COLLECTION

In this study, data was collected via questionnaire and personal interviews which were analyzed using simple table with the percentage magnitude or perception of people who subscribed to a particular opinion. The method was adopted or used owing to its relative simplicity and capacity to accommodate large data. Frequencies, tables, percentages and descriptive statistics were used to collect data from the field while chi-square (X<sup>2</sup>) was used to test the hypothesis formulated. Using the taro-yamane formula a sample size of 55 were chosen from a total population of 65 comprising of senior and junior staff.

**Test of Hypothesis**

OPTION	O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> - E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	$\frac{(O_i - E_i)^2}{E_i}$
Yes	52	18.3	33.7	1135.69	62.1
No	2	18.3	-16.3	265.69	14.5
Undecided	1	19.5	-17.3	299.29	16.4
<b>Total</b>	<b>55</b>				<b>X<sup>2</sup>93</b>

**Source:** Field survey 2023

E<sub>1</sub> – expected frequency

$$E_1 = \frac{\text{Sum of responses}}{\text{No of categories}} = \frac{55}{3} = 18.3$$

$$X^2 = 93$$

$$\text{DEGREE OF FREEDOM} = n - 1$$

Where n is the number of category

$$DF = 3 - 1 = 2$$

$$\text{LEVEL OF SIGNIFICANCE} = 0.05$$

CRITICAL VALUE i.e X<sup>2</sup> Tabulated = 5.991 Decision Rule

Since x<sup>2</sup> tabulates (5.991) is less than x<sup>2</sup> calculated (93), we reject the null hypothesis and accept the alternative which states that accounting information controls fraud, mismanagement and irregularities.

**Hypothesis Two**

OPTION	O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> - E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	$\frac{(O_i - E_i)^2}{E_i}$
Yes	49	18.3	30.7	942.49	51.5
No	6	18.3	-12.3	151.29	12.5
Undecided	0	18.3	-18.3	344.89	18.3
<b>Total</b>	<b>55</b>				<b>82.1</b>

**Source:** Field survey 2023

$$\text{DEGREE OF FREEDOM} = n - 1$$

Where n is the number of category

$$DF = 3 - 1 = 2$$

$$\text{Level of significance} = 0.05$$

Decision Rule

Critical value i.e. x<sup>2</sup> tabulated = 5.991) is less than x<sup>2</sup> calculated (82.1), we reject the null hypothesis and accept the alternative which states that accounting information is effective in decision making in public sector organizations.

**DISCUSSION AND CONCLUSION**

The analysis and test of hypothesis shows that accounting information control fraud, mismanagement and irregularities, without accounting information decision made will be of less quality as realized from the research findings, also the results proved that Accounting information is effective in decision making, hence the null hypotheses is rejected and the alternative is accepted. The effectiveness was supported by facts gotten from accountants on how its application has affected the bank positively. We conclude that the use of

accounting information is very vital and it leads to an effective and efficient use of decision-making in the organization. The management of Bank of Agriculture relies heavily on accounting information for their day to day decision making and we recommend that accurate, relevant and timely information will go along way to enhance the effectiveness and efficiency of the bank. Also managers should be trained from time to time to enable them understand and apply accounting information to decision making.

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