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Financial Statement Analysis a 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*

1. Introduction

1.1. Background

The financial statements constitute an adequate report of the economic activities of an institution, Vesic, (2018) These are written reports, which measure the institution's economic output and liquidity. It highlights the economic performance of the operations and activities of the organization at the institution, P | Pooja Kumari U, (2019). There are various ways or approaches used by investors, accountants and financial analysts to evaluate and view an entity or company's financial position, Bakhit & Alamin, (2016). The primary objective of the financial statement analysis is to inform the potential investors, shareholders, and management regarding the institution's current state, Hasanaj & Kuqi, (2019)

The Accounting Standard Committee (ASC) describes a financial statement as a financial statement, a detailed income statement and a statement of source and use of the fund, reports and other statements collectively intended to offer a accurate and fair view of a company's financial situation and profit and loss, Harsha Vardhan, (2017). Several businesses integrate non-current valuation of assets into the financial statement, in which the income and loss depreciation payment is based on the revalued number. Any of such commercial entities draw up their current-account financial statements. It is unusual when compared with using historical costs or adjusted historical costs. Large and small institutions and organizations in particular, in addition to the requirement to legislate and to retain investors and attract potential investors through publications of their financial statements, and the analysis of financial statements is critical in making an effective and efficient investment decision, Dionyssopoulou & Asvesta, (2014). When investors don't do any equity market analysis instead they must face the face and indulge in glorified gambling.

The review and description of this paper will concentrate on the financial statements submitted to stakeholders and will also be accessible to prospective investors and shareholders as a means of obtaining information for effective and efficient decision-making by ratio analysis, Droj & Droj, (2015). Ratio analysis is the organization 's best instrument for evaluating liquidity, solvency, productivity and management performance, Makarim & Noveria, (2014). Hence, the exercise of making investment decisions following a careful review of the financial statements is as significant. The problem is how many Gambian investors use this path?

1.2. Statement of Research Question

This research study would analyze the degree to which investors carry out their investment decisions and would depend on the results of the financial statements review before making their investment decisions, as well as on the companies' use of the financial statements review to evaluate their success and that of their respective management. It was observed that the role of financial statement analysis in investment decision-making in Gambia has some problems for both investors and business organization management who are either unaware of the value of the relationship of interdependence between them. This is the first research to my knowledge of this topic in Gambia.

1.3. 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?

1.4. 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.

1.5. Objective of the Study

The overall objective is to determine the role of the financial statements analysis in performance evaluation and its impact on investment decision making. The specific goals 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.

1.6. Significance of the Study

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

- The researcher: In the testing process, the researcher should be able to view the researcher as an observer across various methods of review of financial statements.
- Respondent: The questionnaire respondent will benefit from the analysis, as it will help strengthen the way financial statements are interpreted in investment decision taking.
- Academics: Students and lecturers can use the study as a reference point when carrying out similar research.

1.7. Scope of the Study

This study will cover the following areas.

- Financial statement analysis
- Investment analysis
- Respondent/Sample

1.8. Definition of Terms

- Financial Statement: A financial statement is a detailed report of financial transactions, and a company, individual, or other entity's status. Specific financial information is presented in a organized and easily understandable way, Romic, (2013).
- Statement of Financial Position (Balance Sheet): A financial position statement reports on a company's assets, liabilities and owners' equity during the stated period, Poole, (2017).
- Income Statement: Benefit statement or profit and loss statement reports on the revenue, expenditures, and profit of a corporation over a period of time. A statement of profit and loss provides information about the firm's operation. Those include the revenues and the various expenditures incurred during the time indicated (Poole, 2017).
- Financial Statement Analysis: The audit of the financial statements is the use of analytical or financial methods to analyze and evaluate the financial statements for making decisions regarding business and investment. In other words, the review of the financial statements is a way for investors and creditors to analyze the financial statements to see whether the company is safe enough to lend or invest in them, Elaine et al., (2011).
- Investment Analysis: Analysis of investment is the process of evaluating investment for probability and risk, ultimately aims to measure how the investment given is a good fit for a portfolio.

1.9. Research Design

Research design is a method, a way and a research strategy designed to obtain answers to the research question, it is the core of every research design is a model or an action plan on which all research is centered, determines how research is conducted and provides the study's roadmap in terms of sample data collection tool and analytical procedures.

Approaches, on the other hand, are research framework paradigms that can be either quantitative or qualitative, or both, Iii & Turner, (2010).

1.10. Nature of the Research

The aim of the research work should be exploratory and simple descriptive statistics, as it will help explain the fundamental characteristics of the data in this research.

1.11. Source of Data

Main and secondary data will be used beginning with this analysis.

1.11.1. 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.

1.11.2. Secondary Data

The secondary data will be obtained from the literature review.

- Data Analysis: Simple descriptive statistics will be used as it is the most suitable analytical method for this analysis, because it will explain the basic data characteristics of this research.
- Sampling Techniques: Stratified sampling technique will be adopted out of the population of all the listed companies in The Gambia as the sample will be divided into two strata and one company will be chosen in each stratum, this technique will be suitable for analysis.

1.12. Limitation of the Study

The study is limited by three factors namely.

- Scope Limitation: Just one of all registered companies in Gambia will be chosen, so any conclusion drawn by the scope of the analysis will be confirmed.
- Respondent Limitation: The second limitation is that the study will be focused on the information the respondent receives through questionnaires.
- Conclusion Limitation: Another limitation is that this study's findings would be focused upon the area covered.

2. Literature Review

2.1. Introduction

A literature review is usually undertaken by other authors from a literature survey to assess the current status of a specific research subject. A researcher may know the amount of work that has already been done on his or her latest research subject that has not yet been touched upon or is yet to be undertaken, Hassan & Adam, (2014). In this chapter we will look at earlier studies performed by other scholars related to the study of financial statements and the decision taking of investments. Taking into account three publications that are important to this research, I will review and recognize the gaps in earlier studies and try to fill those gaps.

2.2. Review of Earlier Studies

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

The key aim of the study conducted by Yaounde, (2017) is to be aware of financial statements and recognise their relation to an organization's investment decisions. The research was conducted at Bamenda police cooperative credit union ltd, and it suggests that financial statements have an immense effect on investment decisions in microfinance firms. The primary and secondary data used for data collection and then analyzed using descriptive statistics.

The Vestine et al. (2016) study presents a framework for the effect of the analysis of financial statements on investment decision making. Their research adopted a descriptive survey method and targeted population from the respondent in Rwanda 's main branch of the Kigali bank. The data collected were used to analyze the impact on investment decision taking by commercial banks in Rwanda of the review of the financial statements. They suggested that investment decisions would not be something of a vacuum or thumb law. No investment decision should be made on financial institutions without accounting for the financial statement

The data collected were used to analyze the impact on investment decision taking by commercial banks in Rwanda of the review of the financial statements. They suggested that investment decisions would not be something of a vacuum or thumb law. No investment decision should be made on financial institutions without accounting for the financial statement. The report provides a thorough analysis of the details in the financial statement to clarify the company's financial results and to help the management prepare the future compared to the company's previous performance, Which often involve the method of translating financial statements data to useful information through different methods, and the financial statements analysis through them.

Nkuh, (2015), the study was conducted to examine the role of the financial statements in making investment decisions. The study question was to analyze how financial helps investors in decision-making, determine a company's success for investment decision-making and assess the fundamental use of details on financial statement. She further

advised that investors ought to look for advisory services to make an investment decision using financial reports. The findings and suggestions were drawn from the information that Tango Port Authority had provided.

The analysis examined the results of the financial statements of two major Australian retail firms, Myer Holdings and David Jones, according to Kenya, (2017). The statements were collected from official websites of the organization, from the year 2009 to 2018, for a period of ten years. The report concludes that both businesses were not favorable in terms of profitability in 2012 but that Meyer Holdings demonstrated reasonable growth as of 2018 compared with David Jones.

The primary objective of this research, conducted by Prof. PoojaKumari U, (2019), was to determine how companies could make investment decisions based on the analysis of the financial statements in the selected company. The analysis shows that financial statements play a crucial role in decision taking for the success and management of a company. Data were drawn from both primary and secondary to conclude that a mechanism used to make an investment decision was used to analyze the financial statements.

2.3. Gaps Identify in Earlier Studies

Review of financial statements is a primary instrument used by companies, shareholders, stakeholders and prospective investors in assessing the success of a business when making investment decisions. Using different accounting approaches to reduce the risk of making the wrong investment decision. As in previous studies, what relationship exists between financial results and financial statements was the three key points common to all the studies. Amina Haji Nkuh (2016) focuses on the financial statement and decision taking of investments, She selects only selected studies (Tango Port Authority) which are not sufficient to draw a definitive conclusion or opinion and also sets of analytical tools are not laid out to demonstrate how to assess efficiency and also to decide whether or not the business is worth investing before putting your money into it. Yet his studies haven't addressed how to help potential investors make investment decisions. And Vestine, Kule, and Mbabazizie (2016) also concentrated on the consequences of reviewing the financial statements and making investment decisions, but drew their conclusion from information obtained from selected study employees. And my research is about gathering information from the institution's employees, shareholders and potential investors. And it would also plan to address the differences by focusing on an organization whose primary objective is to maximize income, and using its two-year financial statement to assess its results.

2.4. Remedying Gaps in Earlier Studies

Analysis of financial statements and methods for making acquisitions differ with a company's line of operation. This work will be carried out or performed within The Gambia's geographic area and will include the selected study's two-year financial statement, Trust Bank Limited. It will look to the organization or entity for information from the key depositors, shareholders and potential investors. In this case, my work will yield a finding that could be generalized to provide more reliable results.

2.5. Brief Profile of Selected Companies

Trust Bank Limited is the company selected for the complete report. It would be helpful to provide a brief profile on each of the case studies chosen, as it will show what they are in.

2.5.1. Trust Bank Limited

Trust bank was established in July 1997 and currently has 13 branches, employing about 238 people. Trust bank took Meridian Biao (Gambia), which in English speaking Africa has been under strain. In November 2002 it was listed on the Ghana stock exchange. The bank 's key shareholders are the Social Security and Housing Finance Company, The Gambia Data Bank and other influential institutions and individuals in Gambia. On the home front, it is awarded by The Gambia Chamber of Commerce to the bank of the year for 2003 and 2004 consecutively. Global Finance awarded Trust Bank Limited in the year 2016; best bank The Gambia in 2003, 2004 and 2005. The banker's journal, a financial times affiliate, has named Trust Bank Limited as The Gambia 's bank of the year. They provide internet banking services that allow their customers to review their account balances and past transactions and also move funds between their accounts, Report.

3. 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.

3.1. 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?

3.2. Population of the Study

It is the group of persons or organizations to which results can be generalized. The research would concentrate on bank depositors, shareholders and potential investors when evaluating financial statement analysis and investment decision taking in The Gambia.

3.3. Sampling and Sampling Techniques

Simple random sampling techniques will be adapted from registered companies in The Gambia as one selected company will be used to generalize the findings in the selected single company.

3.4. Source of Data

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

3.4.1. Primary Data

Questionnaires will be provided under this section to collect information from the respondent. The questionnaire will be used to provide answers to research questions for the selected studies aimed at shareholders, creditors and depositors.

3.4.2. Secondary Data

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

3.5. Data Instrument

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

3.6. Research Design

Research design is the plan, a roadmap and a research strategy designed to obtain answers to research questions, according to (Khotari 2004). It is the nucleus of any study. Research design is a blueprint or an action plan that builds upon the entire analysis. It also determines how an analysis is performed and offers the research's guide inside the sample data collection instrument term and analytical procedures. At the other hand, methods are paradigms analysis system that can be either quantitative or qualitative, or both. Good research design often features adjectives such as flexible, appropriate, efficient, emotional and the like. Generally speaking, a successful design is known to be the research design that minimizes bias and maximizes the reliability of the data collected and analyzed (Kothari, 1999).

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.

3.6.1. Area of Study

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

3.6.2. Sample Size

Data will be collected from the depositors and potential investors of Trust Bank Limited.

3.6.3. 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.

3.6.3.1. 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.

3.7. 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.

4. 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)

4.1. 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.

4.1.1. 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%

Table 1

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.

4.1.2. 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%

Table 2

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 of0.03%.

4.1.3. 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%

Table 3

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.

4.2. 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.

4.2.1. 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

Table 4

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.

4.2.2. 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

Table 5

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.

4.2.3. 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

Table 6

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.

4.3. Efficiency Ratio

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

4.3.1. 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

Table 7

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.

4.3.2. 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

Table 8

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.

4.3.3. 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

Table 9

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.

4.4. 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

4.5. 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.

4.5.1 Gender Distribution

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

Table 10

Sources: Field Survey, 2019

4.5.1.1. 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.

4.5.1.2. 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.

4.5.2. Organization Distribution

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

Table 11

Sources: Field Survey, 2019

4.5.2.1. Analysis

The questionnaire was distributed to trust Bank Limited and investors.

4.5.2.2. Findings

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

4.5.3. 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%

Table 12

Sources: Field Survey, 2019

4.5.3.1. 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.

4.5.3.2. 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.

4.5.4. Qualification Distribution

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

Table 13

Sources: Field survey, 2019

4.5.4.1. Analysis

The above table shows that the majority (40%) have 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.

4.5.4.2. 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.

4.6. 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: Financial statements are useful for investment decision making in The Gambia.

Response	Frequency	Percentage
Strongly Agree	60	60%
Agree	30	30%
Strongly Disagree		
Disagree		
Not Sure		
Unreturned	10	10%
Total	100	100%

Table 14

Sources: Field survey, 2017

4.6.1. 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.

4.6.2. 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: Banks give out loans to the customer after analyzing the financial statement of customers (loan applicants).

Response	Frequency	Percentage
Strongly Agree	33	33%
Agree	46	46%
Strongly Disagree		
Disagree		
Not Sure	10	10%
Unreturned	10	10%
Total	100	100%

Table 15

Sources: Field Survey, 2019

4.6.3. 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).

4.6.4. 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: Investors in Trust Bank base their decision on the results of financial statement analysis.

Response	Frequency	Percentage
Strongly Agree	33	33%
Agree	56	56%
Strongly Disagree		
Disagree		
Not Sure		
Unreturned	10	10%
Total	100	100%

Table 16

Sources: Field Survey, 2019

4.6.5. 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.

4.6.6. 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: Big depositors in banks base their decision on financial statement analysis

Response	Frequency	Percentage
Strongly Agree	17	17%
Agree	63	63%
Strongly Disagree		
Disagree		
Not Sure	10	10%
Unreturned	10	10%
Total	100	100%

Table 17

Sources: Field Survey, 2019

4.6.7. 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.

4.6.8. 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: Shareholders and investors base their decision on financial statement analysis.

Response	Frequency	Percentage
Strongly Agree	37	37%
Agree	53	53%
Strongly Disagree		
Disagree		
Not Sure		
Unreturned	10	10%
Total	100	100%

Table 18

Sources: Field Survey, 2019

4.6.9. 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.

4.6.10. 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: Financial statements of Trust Bank Limited are always published and made available to the general public.

Response	Frequency	Percentage
Strongly Agree	63	63%
Agree	17	17%
Strongly Disagree		
Disagree		
Not Sure	10	10%
Unreturned	10	10%
Total	100	100%

Table 19

Sources: Field Survey, 2019

4.6.11. 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.

4.6.12. 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: Financial statements published by Trust Bank are easily understood by investors, shareholders, and potential investors.

Response	Frequency	Percentage
Strongly Agree	37	37%
Agree	53	53%
Strongly Disagree		
Disagree		
Not Sure		
Unreturned	10	10%
Total	100	100%

Table 20

Sources: Field Survey, 2019

4.6.13. 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.

4.6.14. 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: The information in the financial statement of Trust Bank Limited is sufficient to assist in investment decision making.

Response	Frequency	Percentage
Strongly Agree	33	33%
Agree	47	47%
Strongly Disagree		
Disagree		
Not Sure	10	10%
Unreturned	10	10%
Total	100	100%

Table 21

Sources: Field Survey, 2019

4.6.15. 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

4.6.16. 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: Financial statement analysis is the only means of determining profitability, liquidity, and solvency of a Trust Bank Limited.

Response	Frequency	Percentage
Strongly Agree	23	23%
Agree	57	57%
Strongly Disagree		
Disagree		
Not Sure	10	10%
Unreturned	10	10%
Total	100	100%

Table 22

Sources: Field Survey, 2019

4.6.17. 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.

4.6.18. 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: 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

Response	Frequency	Percentage
Strongly Agree	33	33%
Agree	57	57%
Strongly Disagree		
Disagree		
Not Sure		
Unreturned	10	10%
Total	100	100%

Table 23

Sources: Field survey, 2019

4.6.19. Analysis

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.

4.6.20. 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

4.7. 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

5. Discussion, Conclusion and Recommendation

5.1. Introduction

The study attempts to examine financial statement analysis and investment decision making in The Gambia. This chapter presents a summary of the main Discussion of the research conducted and also draws conclusion and highlighted practical recommendations based on the findings.

5.2. 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 P | Pooja Kumari U, (2019) 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. (Hasanaj&Kuqi, 2019) Findings clearly showed that the financial statement analysis directly correlate to an effective and efficient investment decision making.

5.3. 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.

5.4. 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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