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EMPIRICAL INSIGHT ON FINANCIAL STATEMENT ANALYSIS AND INVESTMENT DECISIONS MAKING OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

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Abstract

This study examined the relationship between financial statement analysis and investment decision making among listed consumer goods companies in Nigeria. Panel data from twenty-two firms quoted on the Nigerian Exchange Group covering the period 2005 to 2023 were analyzed using descriptive statistics, correlation analysis, panel unit root tests, and the Estimated Generalized Least Squares (EGLS) regression technique, with diagnostic tests conducted in EViews 13. Investment decision served as the dependent variable, while profitability (ROA), liquidity (LIQ), and leverage (LEV) were employed as explanatory variables. The empirical results indicate that profitability exerts a positive and significant influence on investment decision making, whereas liquidity and leverage show negative but significant relationships. These findings imply that enhanced profitability strengthens investment decisions, while excessive liquidity and leverage may constrain them. The study contributes to corporate finance literature by providing robust empirical evidence from Nigeria's consumer goods sector and offers practical insights for managers, investors, and policymakers seeking to optimize capital allocation and improve investment efficiency.

Key Words: Financial Statement Analysis, Investment Decisions Making, Liquidity Ratio, Investment Opportunities

Introduction

Financial statements provide investors, regulators, financial analysts, and other users in economic decision-making with reliable and standardized information on an entity's financial position, performance, and changes (Auwalu and Ibrahim, 2017). Potential investors, business owners, creditors, security analysts, top brokerages, managers, government tax and regulatory bodies, trade unions, consumers, and numerous other stakeholders who depend on financial data to make economic and financial decisions about a company use financial statement analysis.

According to Makarim and Noveria (2014), financial statement analysis is a helpful tool for investors to gauge an organization's strength in the crucial areas of financial performance, rate of return, financial risk an organization faces, rivals' positions, and market conditions. An essential tool for assessing a company's financial health is financial statement analysis, which helps internal and external stakeholders make well-informed decisions. Financial statement analysis offers insights that help make well-informed investment decisions by looking at important measures and ratios. Financial statement analysis is viewed as a procedure that examines and assesses firm financial records, particularly the important ones (financial statements).

Investors can learn more about the operational effectiveness, profitability, solvency, and liquidity of the reporting company by examining important financial records. To comprehend a company's performance and make wise investment choices, investors rely on this study. Investors use financial statement analysis to forecast the company's performance, financial health, and prospects for future expansion. Additionally, the financial data obtained from financial statements will also support the decision-making process for financing, investments, and economic activity.

The financial accounts of an organization contain the financial data needed to make a decision. When making decisions in business, consumers of financial data can predict the cash flows' magnitude, timing, and probability (Berthilde & Rusibana, 2020). According to Orukwu (2018), ratios can be categorized into groups that each pertain to a distinct facet of financial performance or status. Five major kinds of ratios with examples are as follows: Profitability, including gross profit margin, net profit margin, and return on capital employed (ROCE), Efficiency: sales revenue to capital employed, sales revenue per employee, average stock (inventory) turnover period, average debtor and creditor settlement periods, etc. Acid test ratio, liquidity-current ratio, etc. Leverage: interest coverage ratio, gearing ratio, etc. Investment: price/earnings ratio, earnings per share, dividend pay-out ratio, and dividend yield ratio, etc. Using a specific ratio depends on the analysis's goal.
Financial statement analysis gives management the information they need to make business decisions about resource controls, income creation, and investments. Therefore, this would tend to reduce the associated political and organizational costs that could arise from something else (Bushman & Smith, 2015).
Investment decisions are extremely important, and care must be taken because there are significant, hard-earned, and limited resources involved. These resources are also irreversible, risky, and have long-term implications, none of which an investor would want to face in the event of a disastrous outcome. All investment choices ultimately aim to maximize profits, including return on investment, dividend yield, earnings per share, and merger and acquisition benefits. These factors are primarily examined using financial position, cash flow, income, notes to the accounts, director's report, and other sources. Because we have to make decisions on a daily basis. It is frequently one of the primary responsibilities and tasks of management when taking organizational life into consideration. The process of choosing the optimum investment strategy for business expansion and growth is known as investment decision-making (Ine-Tonbarapa, 2018).
Numerous scholars have conducted extensive studies on financial statement analysis and decision-making, including Olayinka (2022), Abdulshakour (2020), Anwar (2020), Sanyaolu *et al.* (2020), and Kaddumi (2017). According to Kawugana *et al.* (2019), financial statements are essential while making investment decisions. According to a 2017 study by Dabash and Khamili, financial accounts are crucial when choosing which investments to make. Omodero (2019) argued that financial statements provide the most crucial financial data required for the investment decision-making process. Berthilde and Rusibana (2020) discovered a favourable correlation between ratio analysis and investment decisions. While Sanyaolu (2020) discovered a negative correlation between ratio analysis and investment decision, Olayinka (2022) found that financial statement analysis is sufficient for efficient decision making. This indicates that research has produced contradictory findings. Therefore, the purpose of this study was to determine the relationship between financial statement analysis and investment decision making listed manufacturing companies in Nigeria.

Statement of the problem

Discussion on effectiveness of financial statement analysis or ratio remain profound and unresolved issue. Generally, there is a broader consensus that many company financial statement are false pictures of their financial position and likewise wrongly interpreted. Corporate failures of Enron Corporation and the others are results of financial statements and financial ratio analysis manipulations and misinterpretation which portrayed some ailing company as if they were sound.

In Nigeria also, corporate investment failures and distresses have been witnessed in the banking sector. Evidence was the huge collapse of the commercial banks all due to massive accounting related frauds. This problem resulted in the establishment of Asset Management Company of Nigeria (AMCON) to prevent corporate failures particularly in the Nigeria banking sector by acquiring and managing financially distress of companies. This trend has now more than ever ensures that financial statements are sternly scrutinized. Investors, Financial analysts and other users of accounting information tend to use their 'third' eye to scrutinize financial statements.
Thus, fair representation and biasness of financial statements analysis is key to predicting future investment returns. Thus, the study examined financial statement analysis and investment decision making of listed consumer goods companies in Nigeria.

Objectives of the Study

This study examined financial statement analysis and investment decisions making of listed consumer goods companies in Nigeria. This study specifically seeks to achieve the following objectives.

1. To determine the relationship between liquidity ratio analysis and investment opportunities of listed consumer goods companies in Nigeria.
2. To determine the relationship between profitability ratio analysis and investment opportunities of listed consumer goods companies in Nigeria.
3. To determine the relationship between liquidity ratio analysis and implementation of chosen opportunity of listed consumer goods companies in Nigeria.
4. To determine the relationship between profitability ratio analysis and implementation of chosen opportunity of listed consumer goods companies in Nigeria.

Research Questions

The questions which this study seeks to answer includes:

1. What is the relationship between liquidity ratio analysis and investment opportunities of listed consumer goods companies in Nigeria?
2. What is the relationship between profitability ratio analysis and investment opportunities of listed consumer goods companies in Nigeria?
3. What is the relationship between liquidity ratio analysis and implementation of chosen opportunity of listed consumer goods companies in Nigeria?
4. What is the relationship between profitability ratio analysis and implementation of chosen opportunity of listed consumer goods companies in Nigeria?

Research Hypotheses

In order to achieve the objectives of this study, the following hypotheses were formulated;

HO_1: There is no significant relationship between liquidity ratio analysis and investment opportunities of listed consumer goods companies in Nigeria.

HO_2: There is no significant relationship between profitability ratio analysis and investment opportunities of listed consumer goods companies in Nigeria.

HO_3: There is no significant relationship between liquidity ratio analysis implementing chosen alternatives of listed consumer goods companies in Nigeria.

HO_4: There is no significant relationship between profitability ratio analysis and implementing chosen alternatives of listed consumer goods companies in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Financial statement analysis

Financial statement analysis is the process of communicating economic information to the stakeholder's; management, shareholders, public, etc. to facilitate informed judgment and decision making. It deals with the presentation of financial and other relevant statements to show the extent to which the objectives of the organization have been achieved. It is a statement prepared by the management of an organization showing how well they have been able to manage the resources entrusted to them by the owners (shareholders) of the business. Financial statements are means through which the strengths and weakness of an organization can be ascertained at a glance. They are instruments without which certain operational decisions cannot be made, especially those that deal with investment, expenditure and assets management (Better, Meigns & Whittington, 2009).

According to Akintoye (2011), financial statement analysis entails the preparation and presentation of both financial and non-financial information by the organization for effective planning and reliable decisions. However, the ultimate aim of financial statement analysis is to provide information that may be useful enough for evaluating management effectiveness in utilizing resources under its control to satisfy its users' needs. Financial statements are used by investors and creditors in deciding where to invest their limited resources in a particular organization or not. However, in order to have an effective financial report for planning and decision-making, financial managers must have an analytical knowledge of the instruments used for their decision making.

According to Orukwo (2013), financial statement analysis is the process of communicating or presenting financial information to stakeholders, management, shareholders, public etc, to facilitate informed judgment and decision making. It deals with the presentation of financial and other relevant statements to show the extent to which the objectives of the organization have been achieved. It is a statement prepared by the management of an organization showing how well they have been able to manage the resources entrusted to them by the owners (shareholders) of the business. They are instruments without which certain operational decision cannot be made, especially those that deal with investment, expenditure and assets management.

Ratio Analysis

The basis for financial planning, analysis and decision-making is the financial information. The financial information is needed to predict, compare and evaluate the firm's earnings ability; and to aid in economic decision-making i.e. investment and financing decision-making. This type of information is contained in the form of financial statement or accounting reports.

The financial statements contain summarized information of the firm's financial affairs, organized systematically. It provides form showing the firm's financial situation to the users.

Ratio Analysis

Ratio analysis is the basic tool employed in the evaluation of the performance of business firms as reported periodically in Financial Statements. Financial ratio is the relationship between two accounting figures, expressed mathematically. Ratios help to summarize the large quantities of financial data and to make qualitative judgment about the firm's financial performance.

Several ratios calculated from financial data could be grouped into various classes according to the financial activities or function to be evaluated.

Short-term creditors are particularly interested in the liquidity position of the firm. While long-term creditors are more interested in the long-term solvency and profitability of the firm. On the other hand, owners concentrate on the firm's profitability and the analysis of the firm's financial conditions.

The management is concerned in evaluating every aspect of the firm's performance.

Profitability Ratio: (a) Gross Profit Margin Ratio
(b) Net Profit Margin Ratio
(c) Return on Equity (ROE) Ratio
(d) Return on, Capital Employed (ROCE) Ratio
(e) Return on Total Assets Ratio

Liquidity Ratios: (a) Current Ratio
(b) Quick Acid-test Ratio
(c) Networking Capital Ratio

Investment Decisions Making

Decision making is a process of selecting the best among the different alternatives. It is the act of making a choice. There are so many alternatives found in the organization and departments. Decision making is defined as the selection of choice of one best alternative. Before making decisions all alternatives should be evaluated from which advantages and disadvantages are known. It helps to make the best decisions. It is also one of the important functions of management. Without other management functions such as planning, Organizing, directing, controlling, staffing can't be conducted because in this managerial function decision is very important. Decision making is defines as the selection of a preferred course of action from two or more alternatives (Robbins, 2016).

According to Pandey (2009), corporate investment decision making of firm is taking the right steps on firm's investment, operation and financial activities which are expected to produce benefits to the firm over a long period of time and it on both tangible and intangible assets.

Investment Opportunities

Identifying investment opportunities involves analysing various financial metrics and market conditions to determine the potential for profitable investments. Financial statement analysis aids in uncovering these opportunities by providing a clear picture of a company's financial performance and growth prospects. Olayinka (2022) emphasized that thorough financial statement analysis is crucial for assessing companies' performance and making informed investment decisions.

Implementing Chosen Alternative

Implementing the chosen alternative in investment decision-making entails executing the selected investment strategy based on insights gained from financial analyses. This step requires careful planning and consideration of factors such as market conditions, risk assessment, and alignment with investment objectives. Effective implementation ensures that the investment decisions translate into desired financial outcomes**.** Fitzgerald & Marimuthu (2024).

Financial statement analysis and management decision making

The basis of financial statement analysis information and analysis is for the deliberate use of management in corporate decision making. Financial information is needed to predict, compare and evaluate a firm's earning ability. It is also required to aid in management economic decision

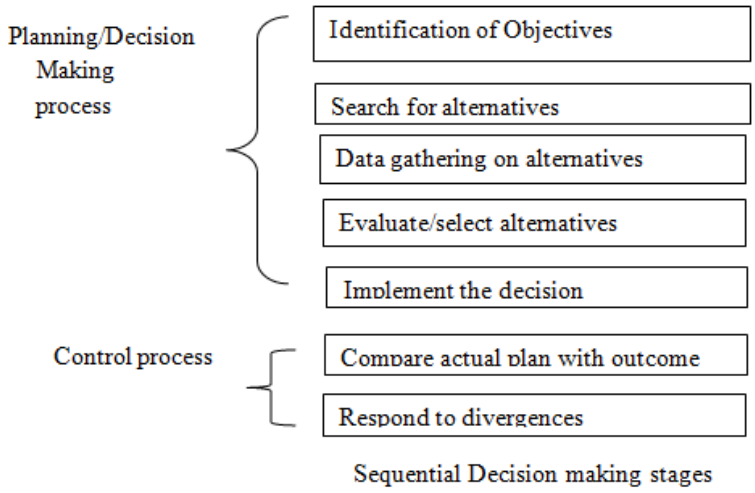
making and financial decision making. The financial information of an enterprise is contained in the financial statements (financial reports). The broad objectives of Financial statement analysis is to provide information about the financial position, performance and financial adaptability of an enterprise that is useful to a wide range of users for assessing the stewardship of management and for making economic decision. Decision- making is one of the functions of management amongst many other functions that are undertaken by the management of an organization (Pandey, 2009). Decision making is the key to financial managers' success and is very crucial for any business. Managers constantly take actions that affect the firms. For example, the introduction of new products a very important decision to make.

Therefore, financial statement analysis is crucial to decision-makers to make decision on investment, credit policy, marketing strategies, financial, and similar decisions (Kaurdi, 1999). Decisions are made out of available information; hence, financial statements should be made available to users periodically.

Theoretical Review

Sequential decision-making Theory.

This is a decision theory where decisions making proceeds into a step by step rationality, in this context (Robbin, 2016), posited that this decision model includes seven stages that follow each other. The first five stages of this model belongs to the decision making process also called the planning process described as "making choices between alternative". At the end of the decision making process he added other two stages called the control process that should measure and correct the concrete performance of the alternative selected or chosen (In investment context, the control and correction stages may record losses or low return on investments). The stages are diagrammatized as thus:



Adapted from Drury C. (2000), p.6.

a. **Planning Process Identify objectives:** The investor or management needs identify goals and objectives which serve later as a guide that enables the decision maker to evaluate the desirability of certain way of action compared to others. From an investment perception profit maximization or return on investment for an individual or firms wealth is the main objective.

b. **Search for Alternative:** Management or investor has to search the environment for potential opportunities and threats; for companies, it could be product market and market development, for an investor it could behaves or equity or debt instruments.
c. **Gathering of Data about Alternatives:** The potential growth areas of activities, gain in the market share, cash flow and much more information is collected for every option available and the decision maker distinguishes between certain and uncertain options and factors that are out of his control, such as inflation and competitive strength etc. Data is put together for short term, long term and strategic options.
d. Evaluation/selection of Alternatives: Evaluation in this context is in terms of financial information analysis about cash flows from investment, certainties and risks potentials, and the best decision maker or the investor (shareholder). Implementation of decision: Finally the decision will be implemented using the alternative selected via the budgeting process; a budget is a financial plan made to aid the realization of the decision made.
e. **Control process:** This control process is most applicable to firms, companies and organizations, to the individual investor divergences entails a loss or low return on investment, which may trigger a decision to divest or wait depending on the appropriate financial information and market analyses.

Review of Empirical Literature

The core function of financial reporting and corporate performance of firms has been studied by eminent scholars. Murray (2010), studies firm's financial reporting quality and corporate decision making: findings of this study revealed that quality financial `reporting is a key interest to investors. He also identified relevance of cash flow statement in controlling the operational activities of a firm. He concluded that there is a strong relationship between quality financial reporting and management decision on investment. Okoye, Alao & Lucky, (2015) studied the effect of full disclosure and management decision making in Anambra State, and concluded that, full disclosure plays a vital role on management decision of firms and also serves as a guide in the day to day decision making of an organization. They further stressed that full disclosure allows a good assessment of firm profitability ratios especially; return on assets (ROA), return on equity (ROE) ratios and other efficiency and performance ratios before a prospective investor might invest in a firm.

Osuala, et al, (2012), in their study on the effect of information content of financial statement on shareholders' investment decision in some selected firms in Nigeria. Determined the relationship between information contents of financial statements and shareholders' investment decisions, the researcher used some of the content of financial statement including profitability, Dividend Per Share (DPS), Earnings per Share (EPS), leverage and liquidity as proxy variables while shareholders' investment decision was represented by change in number of shares. Data for the study was obtained from the published annual reports of selected firms. Regression model was employed to establish the relationship between the variables. The findings indicated that shareholders in the Nigerian Capital Market do not rely heavily on financial statements as a major determinant for their investment decision. It was observed that other variables outside firms' annual reports such as regularity of dividend payment and market price of shares are critical to shareholders in their investment decision.

METHODOLOGY

Research Design

This study adopted correlational survey research design. According to Waters (2017), correlational study is a quantitative method of research in which the researcher has two variables from the same group of participants and tries to determine relationship between the two variables. The correlational survey design is chosen because the study intends to determine the relationship between financial statement analysis and investment decision making through responses from questionnaire instrument.

Population of the Study

The targeted population is the six (6) selected listed consumer goods companies in Nigeria.

Sample and Sampling Techniques

The study utilized consensus sampling method, which allows the selection of the total population of the study as the sample size.

Method of Data Collection

The study employed secondary data

Model Specification

According to Nmesirionye et al., (2019), regression analysis is concerned with the study of how one or more variables affect changes in another variable. Thus, on the basis of the theoretical framework, the study adopted the regression formula adopted in the work with some modifications. The model is specified as:

$Y = f(a_0 + bX_1) + ET$

Where:

y = Criterion variable f = Function x = Independent (explanatory) variables a = Intercept b = Slopes

In functional form, the hypotheses model are:

Model 1: $IO = \beta o + \beta_1 LQR + \beta_2 PFR + \varepsilon$ ……. (1)

Model 2: $ICA = \beta o + \beta_1 LQR + \beta_2 PFR + \varepsilon$ ……. (2)

Model 3: $LQR = \beta o + \beta_1 IO + \beta_2 ICA + \varepsilon$ ……. (3)

Model 4: $PFR = \beta o + \beta_1 IO + \beta_2 ICA + \varepsilon$ ……. (4)

Where:

IO = Investment Opportunities
ICA = Implementing Choosing Alternatives
LQR = Liquidity Ratio
PFR = Profitability Ratio
βo = Constant Term
β_1, β_2 = Coefficients of Independent Variables
ε = Error term

Method of Data Analysis

Data collected from the questionnaire administered were analysed using the Pearson product moment correlation (PPMC) statistical tool with the aid of Statistical Package for Social Sciences (SPSS V.23). The researcher adopted the Pearson product moment correlation PPMC (r) technique to show the relationship between the variables (the independent and the dependent). This is used

to ascertain the relationship between financial statement analysis and investment decision making of listed consumer goods companies in Nigeria.

PRESENTATION AND ANALYSIS OF RESULTS

Method of Data Analysis

This chapter analyses, presents and then interprets the results and proffer solution to the research questions and the hypotheses testing to meet our objectives. Data collected are analyzed using EViews 13 in the following order: descriptive statistics, correlation analysis, and panel unit root test, estimation of the regression models and then performance of some diagnostics tests. The analysis of descriptive statistics is hereby performed so as to find out the properties of the data. Table 4.1 show the data characteristics which include the total number of observations, means, standard deviation, probability of Jarque-Bera statistics and their respective minimum and maximum values of the twenty-two (22) Consumers Goods companies quoted on the Nigerian Exchange Group from 2005 to 2023

Univariate Analysis of Descriptive Statistics.

We use the raw data for the descriptive statistics analysis, correlation analysis and unit root test.

4.1 Univariate Data Analyses (Descriptive Statistics)
Table 4.1

Variables	Number of Observations	Mean	Std Deviations	Minimum	Maximum	Probability of Jarque-Bera(
ID	418	0.502814	0.950193	-9.411800	6.366400	0.000000
ROA	418	-0.049135	4.088609	-48.03210	52.86140	0.000000
LIQ	418	0.856172	0.874235	-2.663160	3.592402	0.000035
LEV	418	1797.875	37737.10	-18966.31	754373.1	0.000000

Source: Researcher's Computations (2025) Using EViews13 Software.

The statistics in Table 4.1 above shows the mean values of the variables as well as the standard deviations, minimum, maximum and Jarque-Bera Statistics Probability values. All the variables of interest have maximum values which are greater than their respective minimum values. Again, the mean values of all the variables of interest are smaller than their respective standard deviation values (Mean<STD). This shows that these variables do have outliers in their data set and so they have a high gap between the highest and lowest values for the last 16 years meaning that the average are quite low (Lestari & Setiany, 2023).

Lestari,F. D. & Setiany, E. (2023).The impact of governance, audit quality, and financial performance on increasing corporate value. *International Journal for Multidisciplinary Research (IJFMR), 5*(2), 1-17.

4.2 Bivariate Data Analysis (Correlation Analysis)

Table 4.2: Correlation Statistics

Covariance Analysis: Ordinary
Date: 07/27/25 Time: 09:20
Sample: 2005 2023
Included observations: 418
Balanced sample (listwise missing value deletion)

Covariance Correlation	ID	ROA	LIQ	LEV
ID	0.900610 1.000000			
ROA	0.723643 0.186734	16.67493 1.000000		
LIQ	-0.092814 -0.112011	0.080878 0.022684	0.762375 1.000000	
LEV	-69.72871 -0.001949	88.19370 0.000573	-4125.380 -0.125359	1.42E+09 1.000000

Source: Researcher's Computations (2025) Using EViews13 Software.

The correlation analyses among the variables are meant to first determine the association between each pair of the dependent and independent variables as well as among the explanatory variables. It reflects the relative strength of the relationship between the explanatory variables. The degree of association may be weak (0.00 to 0.5), moderate (0.51 to 0.8) or high (0.81 and above). A very high association among the regressors poses a problem of multi-collinearity. According to Gujarati (2004); multicollinearity could only be a problem if correlation coefficient between regressor is above 0.80. The information obtained from Table 4.2 above, it can be seen that there is absence of multicollinearity since all the variables are weakly correlated.

Method of Data Analysis

Data collected are analyzed in the following order: Estimation of the regression model; Hypotheses are tested; Regression results discussion as well as the performance of some diagnostics tests.

Estimation of the Dynamic Regression Models.

In order to determine the effect of financial statement analysis and investment decision making of listed Consumer Goods companies in Nigeria, the panel Estimated Generalized Least Squares (EGLS) method of regression as shown in Table 4.4 below.is used to examine the relationship between the independent variables (ROA, LIQ and LEV) and the dependent variable (ROA).

Table 4.4: Regression Result

Dependent Variable: ID
Method: Panel EGLS (Period SUR)
Date: 07/27/25 Time: 08:52
Sample: 2005 2023
Periods included: 19
Cross-sections included: 22
Total panel (unbalanced) observations: 418
Linear estimation after one-step weighting matrix
Period SUR (PCSE) standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	0.044288	0.001000	44.28291	0.0000
LIQ	-0.107483	0.009936	-10.81773	0.0000
LEV	-3.96E-07	7.49E-08	-5.284619	0.0000
C	0.596055	0.022814	26.12697	0.0000
	Weighted Statistics			
R-squared	0.814814		Mean dependent var	0.662042
Adjusted R-squared	0.813411		S.D. dependent var	2.350781
S.E. of regression	0.909366		Sum squared resid	327.4712
F-statistic	580.7969		Durbin-Watson stat	1.908385
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.048288		Mean dependent var	0.502814
Sum squared resid	342.8485		Durbin-Watson stat	0.713931

Source: Researcher's Computations (2025) Using EViews13 Software.

Hypotheses Testing.

Earlier in Chapter one, it was stated that each of our independent variables in their null forms will be subjected to statistical test and the result of the test will either be accepted or rejected at the 5% significant levels. If the p-value of that explanatory variable is less than or equal to 5% (0.05), then there is a significant relationship between this explanatory variable and the dependent variable and so we reject the null hypothesis. If, however, the p-value of that explanatory variable is greater than 5% (0.05), then the null hypothesis is accepted that there is no significant relationship. We, therefore, restate each hypothesis and test for either acceptance or rejection based on their respective probability value (p-value).

$H0_1$: Profitability has no significant relationship with investment decision of listed Consumers Goods firms in Nigeria

The coefficient of ROA is positive (0.044288) and significant with a t-Statistic (44.28291) and a p-value (=0.0000) at the 1% level of significance. The p-value is 1% which is less than 5% and so we reject the null hypothesis that ROA has no significant relationship with earnings management...

$H0_2$: Liquidity has no significant relationship with investment decision of listed Consumers Goods firms in Nigeria

The coefficient of LIQ is negative (-0.107483) but significant with a t-Statistic (-10.81773) and a p-value (=0.0083) at the approximately 1% level of significance. The p-value is 1% which is less than 5% and so we reject the null hypothesis that LIQ has no significant relationship with earnings management.

$H0_3$: Leverage has no significant relationship with investment decision of listed Consumers Goods firms in Nigeria

The coefficient of LEV is negative (-3.96E-07) but significant with a t-Statistic (-5.284619) and a p-value (=0.0000) at the approximately 1% level of significance. The p-value is 1% which is less than 5% and so we reject the null hypothesis that LEV has no significant relationship with earnings Management.

Discussion of the Regression Results from Table 4.4.

The R-squared (R^2) and the Adjusted R-squared (R^2) tell us the extent to which the variation in the dependent variable is explained by the independent variables. The higher the value the better the model and the more the predictive or the forecasting power of the variables. With an R-squared (R^2) of 0.814814 and an Adjusted R-squared ($AdjR^2$) of 0.813411, the result shows that about 81% of variations in ID can be explained by the independent variables (ROA, LIQ and LEV) while 19% are explained by other factors not captured in this model.

The F-statistic and the Prob (F-statistic) tell us how jointly significant the independent variables are in explaining our dependent variable and the higher the value the better the model. This is, they show the combined effect or joint significance of the independent variables on the dependent variable. The higher the F-statistic value and the lower the Prob (F-statistic, the better our model. With the values of F-statistic at 580.7969 and the Prob (F-statistic) at 0.000000 showing the combined effect or joint significance of all the variables of interest (the independent variables (ROA, LIQ and LEV) in explaining ID. The Durbin-Watson statistic is used to test for first-order serial correlation in the error term. Some argue that the rule of thumb is that if the Durbin-Watson value is less than 2, it is an evidence of a positive serial correlation in the model. Some also argue that a value between 1.5 and 2 is acceptable. With a Durbin-Watson stat of 1.908385, we conclude that the model is free from first-order serial correlation.

Profitability and Investment Decision.

Profitability (ROA) relationship with investment decision (ID) is positively significant with a coefficient of 0.044288 with P-value = 0.0000. The result shows that an increase in the amount of ROA will result to a very significant increase in ID. This means that by increasing ROA by one extra naira will increase ID of the firms by 0.044288%. The sign or direction as well as the size or magnitude are aligned with our expectations. This finding agreed with study by Okoye, Alao & Lucky (2015) studied the effect of full disclosure and management decision making in Anambra state, conclude that, full disclosure plays a vital role on management decision of firms and also serves as a guide in the day to day decision making of an organization.

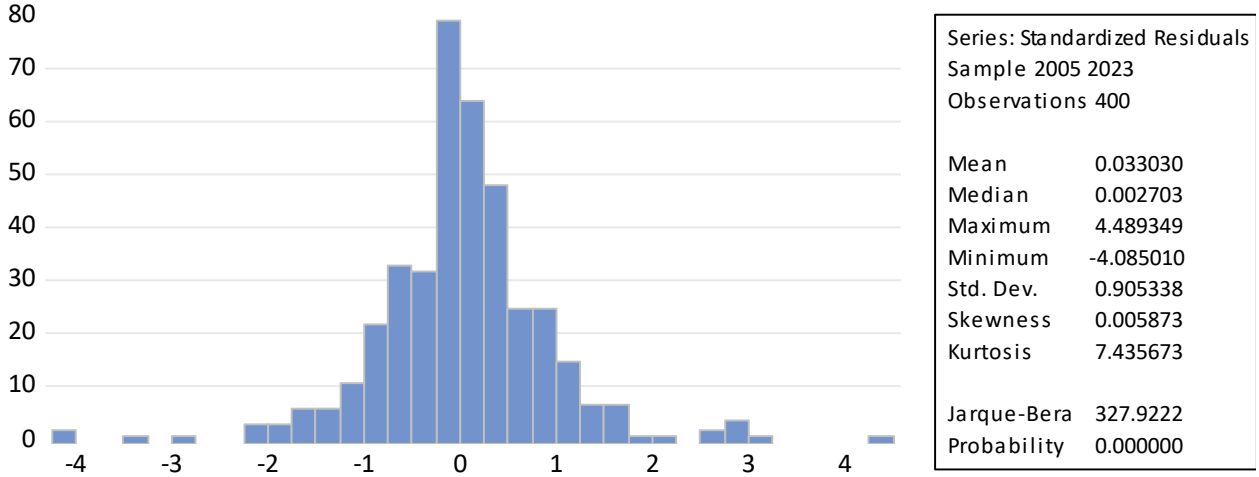
The second hypothesis finds that there is a positive correlation between leverage ratio and choosing an alternative in manufacturing companies in Rivers state. This finding corroborated with Murray (2010), studied the relationship between firm's financial reporting quality and corporate decision making in Nigeria. The findings revealed that quality financial 'reporting is a key interest to investors.

Liquidity and Investment Decision.
Liquidity (LIQ) relationship with investment decision (ID) is negatively significant with a coefficient of -0.107483 with P-value = 0.0083. The result shows that an increase in the amount of LIQ will result to a very significant decrease in ID. This means that by increasing LIQ by one extra naira will decrease ID of the firms by 0.107483%. The sign or direction is contrary to our expectations but the size or magnitude is aligned with our expectations. This finding corroborated with Murray (2010), studied the relationship between firm's financial reporting quality and corporate decision making in Nigeria. The findings revealed that quality financial 'reporting is a key interest to investors.

Leverage and Investment Decision.
Leverage (LEV) relationship with investment decision (ID) is negatively significant with a coefficient of -3.96E-07 with P-value = 0.0000. The result shows that an increase in the amount of LEV will result to a very significant decrease in ID. This means that by increasing LEV by one extra naira will decrease ID of the firms by 3.96E-07%. The sign or direction is contrary to our expectations but the size or magnitude is aligned with our expectations.
It is, however, supported by the study of Osuala, Ugwuma, & Osuji, (2012), in their study on the effect of information content of financial statement on shareholders' investment decision in some selected firms Nigeria. The result revealed that shareholders in the Nigerian Capital Market do not rely heavily on financial statements as a major determinant for their investment decision.

Normality Test
In regression models, it is scientific to check for non-normal errors because the assumption of normality plays a very important role in inference procedures validation, forecasting and model specification tests, both for conceptual and methodological reasons (Alejo et al., 2015).
Although Ghasemi and Zahediasl (2012) observed that violating the normality assumption should not be a major issue once the sample size is 100 and above according to the central limit theorem (CLT), this normality assumption should be adhere to in spite of the sample size because selecting a wrong data set representation will lead to wrong interpretation (Mishra et al., 2019). From the value of Jarque-Bera statistic and its probability in Table 4.5, the data used in analyzing the regression model are not normally distributed since the p-value (0.000000) is greater than 0.05. However, this may not be a great problem since our observations is 418 which is larger than 100 according to the Central Limit Theorem (CLT)

Table 4.5: Normality Test Result



Source: Researcher's Computations (2025) Using EViews13 Software.

SUMMARY, CONCLUSION AND RECOMMENDATION

Summary.

This research study examined the effect of financial statement analysis and investment decision making of twenty-two (22) listed Consumers Goods on the floor of the Nigerian Exchange Group (NXG). The empirical literature reviewed generally suggest that there is a relationship between financial statement analysis and investment decision making. The panel Estimated Generalized Least Squares regression method of analysis was used to analyze the data from 2005 to 2023. The results showed that:

a) The coefficient (0.044288) of ROA is positively significant (p-value=0.0000). The result shows that an increase in the amount of ROA will result to a very significant increase in ID. This means that by increasing ROA by one extra naira will increase ID of the firms by 0.044288%.
b) The coefficient (-0.107483) of LIQ is negatively significant (p-value=0.0083). The result shows that an increase in the amount of LIQ will result to a very significant decrease in ID and vice-versa. This means that by increasing LIQ by one extra naira will decrease ID of the firms by 0.044288% and vice-versa.
c) The coefficient (-3.96E-07) of LEV is negatively significant (p-value=0.0000). The result shows that an increase in the amount of LEV will result to a very significant decrease in ID and vice-versa. This means that by increasing LEV by one extra naira will decrease ID of the firms by 0.044288% and vice-versa.

Conclusion

The study examined financial statement analysis and investment decision making. It utilized panel data over the period from 2005 to 2023 of twenty-two (22) listed Consumers Goods on the floor of the Nigerian Exchange Group (NXG). The estimated generalized least squares (EGLS) results reveal that: (i) ROA is positively significant meaning that an increase in the amount of ROA will result to a very significant increase in ID. (ii) LIQ is negatively significant meaning that an increase in the amount of LIQ will result to a very significant decrease in ID and vice-versa. (iii) LEV is negatively significant meaning that an increase in the amount of LEV will result to a very significant decrease in ID and vice-versa.

Recommendations

a) Management should maintain the present level of profitability (ROA) which is made up of profit before tax and total assets since ROA is positively significant with ID.
b) Management should investigate the reason LIQ was negatively significant paying special attention to current assets and current liabilities figures.
c) Management should investigate the reason LEV was negatively significant paying special attention to total debt and total equity figures.

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