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The Impact of Financial Reporting on Investment Decision of Small and Medium Enterprises in Nigeria: A Case Study of Small and Medium Enterprises in Delta State, Nigeria

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ABSTRACT: This study examines the impact of financial reporting on investment of small and Medium Enterprises in Delta State, Nigeria. The study employed descriptive survey research design. A sample of 398 SMEs was employed for the study using simple random technique. Data collected was analyzed using correlation and chi-square technique. The results show that SMEs in Delta State do not use financial reporting in their decision making process. Besides, most of them do not even have adequate knowledge of financial reporting. The study therefore recommends that managers of SMEs should be trained on the use and preparation of financial reports by the various SMEs to enable them be able to use financial reports in their decision making process.

INTRODUCTION

It is increasingly evident that SMEs play a vital role in the development of any country because the well-being of an economy is closely linked to their performance. According to Okonkwo, & Mustapha, (2023) SMEs contribute to more than 90% of private sector output, serve as the primary job creators in emerging economies, and are crucial for income generation, especially for the underprivileged.

Hence, all countries, particularly developing ones such as Nigeria, have been actively fostering conducive environments to stimulate business operations, which promise economic growth opportunities. A key focus has been the intentional implementation of government policies and laws designed to support SMEs as drivers of economic expansion and employment generation Akande & Ibrahim (2022).Small and medium enterprises (SMEs) are recognized for their significant role in grass root economic advancement and fostering fair, sustainable development. This backing has resulted to a rise in entrepreneurial endeavors within the SME domain in developing countries.

It is indeed noteworthy that a large number of SMEs in Nigeria are not mandated by legislation to prepare and disclose financial statements. In Nigeria, most small businesses operate under a business name structure, exempting them from the requirement to compile and file audited financial statements. The extent of Nigeria's readiness to adopt International Financial Reporting Standards (IFRS) for SMEs as outlined in the Financial Reporting Council of Nigeria's roadmap remains uncertain (Anwar, 2020). Making well-informed decisions regarding any enterprise necessitates a thorough review of financial statements. Financial statements are crucial for stakeholders to effectively oversee financial resources. Nevertheless businesses often underestimate the importance of financial records in the decision- making process.

In order to make wise decisions, financial statements are becoming more and more important in the investment industry. Okeke, & Nwosu (2021) argue that in order to use these statements in their decision-making, business owners must understand how to interpret them. Ali & Rahman (2023) made the case that poor financial management is the main cause of worry for financial failure.

Managers need to anchor on certain information to assist them make objective decisions. This study therefore intends to evaluate the effect of financial reporting on investment decision in Nigerian SMEs, with special reference to Delta State.

The days of investors making investments without knowledge of the anticipated returns are gone. Moreover, management can only act wisely when they have access to the proper data. As a result, financial records have a significant impact on how decisions are made. The stakeholders who invest money in the company face financial risks, hence financial statements are also important to them. The majority of current research focuses on using financial statements for decision-making in big businesses, and studies that looked at SMEs in Nigeria examined their data for normality.

Financial statements contain significant financial information that are used in the decision-making process, according to Patel, & Singh, (2023). However, in order for the use of these statements to produce improved results, the decision-makers must have the necessary expertise and skills. Owners might feel more at ease using knowledge that they fully comprehend when making decisions (Anwar, 2020). Han & Lee (2023) argue in a similar vein that the decision-making process that involves financial statements may be influenced by the background of the company owners or the decision-maker. Small and medium-sized businesses often have fewer resources and money thus Gupta, (2023) and Choudhury, & Das, (2023) argue that decision-making in these businesses should be very vital.
The researcher employed the study of Anwar, (2020) which examined how financial statements help SMEs that are domiciled in Turkey make wise investment decisions. However, this study is to improve on the work of Anwar, (2020) by adjusting the objective of the study to suit the Nigerian situation. Accordingly, to the best of the researcher's knowledge, there is no current study in Nigeria that focuses on the impact of financial statements in the decision-making process for small and medium-size businesses.

HYPOTHESES OF THE STUDY

The following null hypotheses were tested in this study

$H0_1$: The level of Knowledge Owners of SMEs has does not affect the use of financial statements for decision making in Delta State.

HO_2: Owners of SMEs do not apply financial report in decision making in Delta State.

HO_3: Financial report of SMEs does not influence the behavioural pattern of new investors in analyzing the financial position of the business that they intend to invest in Delta State.

$H0_4$: SMEs in Delta State do not employ professional Accountants to man their Accounting Department.

REVIEW OF LITERATURE

Conceptual Framework

The Importance of Financial Statements

Financial statements are a crucial component of the financial data used by the company's or firms' stakeholders to make financial choices. The management of the business prepares financial statements to show the financial position of the firm. Financial statements essentially give creditors and investors outside of the business the chance to obtain information that aids in their decision to invest in a specific company. All businesses are obliged to regularly and timely provide this information to their creditors and investors (Anwar, 2020). Decision-makers view financial statements as one of the most crucial pieces of financial knowledge for sound decision-making. Therefore, the accuracy, authenticity, and relevance of the information presented in the financial statements are highly stressed. These statements can be divided into four categories: balance sheets, revenue statements, cash flow statements, and statements of stakeholder equity (Anwar, 2020). Anwar did not include historical information that make up the fifth component of a financial statement.
Financial statements play a crucial part and are essential for small- and medium-sized businesses when making investment decisions. All of the crucial data required for making financial decisions for lending and trading is contained in financial statements. Carraher and Van Auken (2013) assert that financial statements also enable stakeholders to gather financial information for assessing a firm's risk profile, investment opportunity, and potential. However, when making investment choices, small-and medium-business owners occasionally fall short of maximising the value of financial statements (Vanauken, Ascigil, & Carraher, 2017). As a result, in order to use of financial statements effectively, it is necessary to have knowledge of these statements in order to make effective decision (Srikanr and Madhav, 2021).
In contrast, making investment decisions without convincingly utilizing these assertions can result in financial hardships and the failure of a company's financial objectives. Van-Praag, (2003). Adomako, Danso, and Damoah, (2016) are of the view that owners' inability to understand financial statements results in poor decision-making on their part. They might not be able to fully comprehend how these choices will affect the company. Consequently, poor decisions can have an impact on a company's financial success and growth (Patel, & Sharma, 2023). Financial statements can also be used to evaluate the effectiveness of recent or ongoing decisions that support managing companies in a more effective manner (Lee & Kim, 2023). For financial objectives to be met and failure and financial distress to be avoided, valid and accurate financial statement analysis is essential Ali & Rahman (2023).
The objective of a financial statement is to provide information to a broad range of customers for financial decisions with regards to the outcomes, and financial stability of a business entity. The financial outcomes are consequently developed to satisfy the needs of the general public. The financial report does not, however, contain all the information that consumers require to make financial choices because financial statements typically only analyse historical financial activity and do not go into detail on non-financial matters.
In order to forecast an organisation's ability to retain cash flows from current resources and to identify potential changes in the financial resources that would undoubtedly govern them in the future, documentation of an organisation unit's operating results, particularly its performance is required. This information is frequently helpful in helping decisions about the worth of outside

services that the unit has access to. It must have trustworthy content that is helpful. Honest or fair communication that is free of errors and significant prejudices constitutes trustworthy content. (Bayar, et al, 2021)

However, the primary goal of submitting financial statements is to give specifics about how actions, activities, and monetary occurrences affect the profit of the company operations. Therefore, a profit division may use this information to make decisions and to evaluate customers, financial institution contributors, and other external consumers. (Abusomwan, et al, 2016)

Financial Information and Decision Criteria

A process called decisive decision-making helps choose a series of choices from among two or more options. This shows that the choices are anticipated to help company management achieve operational objectives. By using this idea, the director of a company could plan and organise the firm while concentrating on financial reports. In addition to other corporate factors, senior managers' choices are influenced by many of the financial specifics in the financial report. Some people participate in decision-making at a higher degree than others, and vice versa. (Aniefor and Oboro, 2015). The figures in the financial results have a significant financial effect. These projections help to lay the groundwork for the distribution of profits to owners, the calculation of employee wages, and tax obligations. Additionally, the information in the financial summary may affect the choices made by creditors and investors (Aniefor and Oboro, 2015).

Financial reporting is the preparation of published report for users of financial statements. The issues relating to financial reporting could be traced back to 1975 with the advent of what was then known as corporate report, in England. In Nigeria, following the increasing demand for financial information on companies, financial reporting has now assumed an appreciable position because it provides information that is useful to current and potential investors, creditors and other users in making rational investment, credit, and other financial decisions. It also enables users to assess the amount, timing, and uncertainty of prospective cash receipts about economic resources, the claims to those resources and the changes in them.

Financial statements refer to formal and original statements which are prepared to disclose financial health in the terms of profits, position, and prospects as on a certain date. An organization may fail to prepare financial statements, even with well-maintained account books, as accounting knowledge/skills are required to prepare financial statements. Financial statements provide the most basic and important information in decision making. Good financial decisions are predicted based on the ability to trust reliable financial information and financial statements.

Inefficient decisions can lead to poor financial management and ultimately lead to misery/failure. Efficient use of financial statements in decision making can improve financial management and keep the company viable.

There are substantial number of alternative assumptions, principles and methods available to a reporting entity in the preparation and presentation of its financial statements. For example, there are many ways of calculating depreciation such as straight-line, reducing balance; sum of year's digit, and revaluation, inventory valuation could be done through FIFO, LIFO, and averages. It is worthy to note that the assumption, principle and method adopted by a reporting entity significantly affect its results of operations, financial position and change thereof. To minimize such disparities in financial reporting, the General Accepted Accounting Principles (GAAP) was adopted, which is described as the framework of financial reporting. The provisions of GAAP differ somewhat from the international financial reporting standards. The scope of the existing financial reporting framework deals with the objectives of financial statements; qualitative characteristics of financial statements; elements of financial statements; recognition of the elements of financial statements; and the concept of capital and capital maintenance (NASB, 2010).

Theoretical Framework

This study is based on the following theories namely; Economic Theory of Cost and Modern Portfolio Theory.

Economic Theory of Cost

Economic theory of cost is a core economic concept which holds that every action has an opportunity cost. Financial reporting in public sector (just like in private sector) has cost implication.

The economic theory of cost follows the law of increasing costs in economics whereby to get better value, you have to incur more cost. Financial reporting cost of the Federal Government of Nigeria is on the increase due to the adoption of the International Public Sector Accounting Standards (IPSAS). The government has got to engage more professional accountants with good knowledge of IPSAS application. The government also got to train and retrain its reporting accountants to be proficient in the use of International Public Sector Accounting Standards (IPSAS).The whole of these activities has made government financial reporting expenses rise very high within the period covered in this study.

Financial reporting expenses take care of all payments and charges that the firm makes to suppliers of different productive factors. Usually, a businessman invests some capital in his firm. If he would have invested the amount in some other firm, then he could have earned a certain interest/dividend. Further, he invests time for his business and also contributes his entrepreneurial and managerial ability to the business.

Therefore, the financial reporting expenses involve both cash and non-cash payments. Every management function goes with a cost. As such, financial reporting function goes with both explicit cost and outlay cost. Explicit Cost is easily identified, and is accounted for in the general ledger or financial statements. It represents clear, obvious cash outflow that reduces an entity bottom-line performance. Examples of explicit costs would be items such as wage expenses, rent, or lease payments. It is easy to identify the sources of those cash outflows and the business activities to which the expenses are attributed. An explicit cost is a physical outlay of cash or financial expenditure that the firm reports on its financial statements. These costs pertain to the production factors that a firm owns, utilizes, and spends money for, and have direct impact on its profitability. Accounting Costs are those costs which are included in the cost of production. Hence, accounting costs take care of all payments and charges that the firm makes to suppliers of different productive factors. Explicit costs require cash outflows towards the compensation of wages, rent, mortgage, raw materials, advertising, utilities, inventory, and equipment. Some accountants include depreciation and amortization in the explicit costs, but this is incorrect as depreciation and amortization do not pertain to tangible expenses. Conversely, employee wages, payments towards the purchase of raw materials, rent, and utility bills are explicit because they require an outlay of cash and the firm reports them on its financial statements.

Modern Portfolio Theory

The Modern Portfolio Theory was propounded by Harry Markowitz. It was developed between 1950's through the early 1970's and is seen as an essential advance in the mathematical modeling of finance. The theory helps in understanding how financial management practices in organizations are undertaken, particularly the financial risk management decisions. The theory quantifies the difference between the overal1 risk of the portfolio and the risk of portfolio assets taken individually.

The theory states that a portfolio will only be considered to be efficient when the available assets give either high returns or low risks of exposure. Estimating the risk levels and return levels is essential in order to reduce the occurrence of negative. This enables choosing different assets in order to mitigate the risk of loss returns.

The expected returns may be accessed by measuring the expected output over the utilized resources while taking into consideration the risks being exposed. The implication of the theory to the study is that organizations, SMEs included, should not only invest widely in different types of financial instruments, but also access the various risks involved. This implies that financial risk management is very critical in ensuring that there is diversification in case any financial management practice fails. The theory thus acts as a guideline in enhancing reliability in the financial management practices in SMEs in order to ensure positive influence on their financial performance.

Empirical Review

Njoku et al. (2022) evaluated investment choices and their impact on the financial performance of small and medium-sized businesses in Nigeria's Federal Capital Territory. A survey study methodology was used to gather information from 400 sampled SMEs using structured questionnaires. The analysis of the data using Descriptive Statistics, Correlation Matrix, and Logit Regression Model revealed a positive correlation between yearly return and the purchase of new real estate, as well as a negative correlation between the purchase of new plants and new real estate.

The impact of financial accounting reporting on managerial decision-making in small and medium-sized businesses in Iraq was also studied by Bayar, et al. in 2021. Additionally, it assessed management's perspective on capital allocation to determine whether it maximises the decision's efficacy. The research found that the financial statement report has a significant impact on how effectively managers make decisions.

A conceptual paper review on SME's in connection to financial reporting was done by Abusomwan et al.(2016).The research used a library approach that concentrated on reviewing the content of published literature. The research came to the conclusion that the adoption of IFRS for SMEs' financial reporting has raised the bar. Therefore, there is a pressing need for capacity building, particularly for SMEs, to provide them with the knowledge and abilities required for successful reporting. The skills required to prepare and analyze IFRS compliant financial report seems to be the major concern for SME owners. Indeed, IFRS for SMEs has raised the bar, but with the limited funds attributable to SMEs, can they afford the engagement of professionals who would prepare and interpret the financial statement comprehensively to business owners enough to aid their knowledge-based business decision?

In a related research, Anwar (2020) examined how financial statements helped SMEs make wise investment decisions. The study question was addressed with a survey research design. The study's findings indicate a strong correlation between an owner's comfort with their ability to understand financial records and their level of revenue. Once more, the problem of SME Owners' knowledge of and comfort using the financial statement for decision-making was a main concern.

Additionally, Nnubia and Orjinta (2016) investigated how financial statements affected shareholders' stock market trading choices in Nigeria. The Nigerian Stock Exchange Fact Book was the primary source of secondary data for this research over a 17-year period. (from 1998-2014). The research used the regression analysis. The results showed that leverage, liquidity, earnings per share (EPS), dividend per share (DPS), return on investment (ROI), and DPS all had a substantial positive impact on investment decision.

Ezeagba (2017) investigated the choices and challenges of financial reporting in Nigerian SMEs. The study's objectives were to identify the obstacles that Small and Medium-Sized Enterprises (SMEs) in Nigeria face in implementing effective financial accounting reporting and to discover how inadequate credit facilities affect the quality of accounting records maintained by SMEs in Nigeria. Data were gathered using a survey technique and time series data as well as a questionnaire and the CBN statistical bulletin. It was discovered through the use of a simple percentage table that the difficulties faced by SMEs in the production and presentation of financial reports are: insufficient accounting books and records, manpower, accounting system, and failure to conduct their transactions through the banking system. This study reveal why SMEs do not have knowledge based financial report for decision making. This has become an issue especially in this present dispensation where there is scarcity of cash and people have to "buy back" the money they earnestly worked for.
The difficulties faced by SMEs as a result of the adoption of the International Financial Reporting Standards for SMEs in Nigeria were also explored by Modugu and Eragbhe (2013).
In keeping with this topic, Adetula et al. (2014) assessed the preparedness of small and medium-sized businesses (SME) in Lagos State, Nigeria, for the adoption of International Financial Reporting Standards (!FRS) as well as potential obstacles that might arise during the adoption process. The outcome of a descriptive study revealed that the adoption of IFRSs by other nations is a key reason why Nigeria would do the same. Again, the adoption of IFRS for SMEs is presently facing a number of difficulties that, if not promptly resolved, may prevent Nigeria from successfully adopting and implementing IFRS for SMEs. Again, it is showing clearly that adoption of IFRS for SMEs may have hit the rock. This is so because of the many hitches that bedevil the process and the knowledge required.
Ojeka and Mukoro (2011) found that there is still a need to educate people, particularly the SME operators, on the value of the IFRS for SMEs in their study on the perception of the academic with regards to the International Reporting Standard and SMEs in Nigeria. As for the application of IFRS for SMEs in Nigeria, the accountant has a significant role to play. The study further listed some of the advantages of IFRS on SMEs to include but not limited to: allowing for comparability of information as shown in the financial statement, increasing assurance in global annual invoices, cost reduction as it concerns maintaining accounting standards, each type of entity has a full set of accounting principles that have been made simpler, which increases user satisfaction with financial statement users' requirements etc.

METHODOLOGY

Research Design

The study uses descriptive survey research design which aims at examining the effect of financial reporting on investment decisions of Small and Medium enterprises in Nigeria; A case study of Delta State. This design is usually concerned with describing a population with respect to important variables with the major emphasis being to establish the relationship between the variables. The advantage of this type of research is that it is easy to understand as it attempts to collect data from members of the population and describes existing phenomenon.

Population and Sampling

The population of the study consists of the list of current registered Small and Medium Enterprises in Delta State. According to Odita (2023), there are 3976 SMEs in Delta State; which are registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Delta State Office.
In this study the simple random techniques is used to select the sample to be included in the study. This method is chosen because every element in the population has an equal choice of being selected as a sample. Simple random sampling has the least bias and offers the most generalization and hence for the study to be more representative, it is important that the right method be chosen.
The sample size for this study is 398 which is ten percent of the population size and is in line with the position of Bullen (2022) who posits that as long as the sample size is not up to 1000, it is okay to have ten percent representation of the population size.

Method of Data Collection

The study utilizes questionnaires to gather essential information. Questionnaires are important for studies since they gather data that is not straghit forward and discernable, as they ask about sentiments, inspirations, mentalities, achievements and also encounters people. The questionnaires involve both open and close furnished inquiries and are structured.

Method of Data Analysis

The data obtained is analysed using the three-way cross tabulation method to determine the various relationships. Two classes of respondents are selected mainly the managers and the accountants who prepare and use the reports directly for discussion making. The statistical package used for analyzing the data is SPSS version 23. Different statistical techniques such as Chi square, Pearson correlation and Descriptive analysis are used. The data is first analysed by finding the preliminary results where descriptive statistic of means and standard deviation are tested to know the degree of effects of the variables and the relationship test is done using the Pearson Linear Coefficient Correlation (PLCC) and the Chi-square.

DATA ANALYSIS, FINDINGS AND DISCUSSION

Data Presentation

398 Questionnaires were distributed and all came back in soft copies via the email of the researcher. The questions were to elucidate a yes or no answer. The collated responses are shown in the table below:

S/NO	QUESTION	YES	NO
1	Most managers of do have a good knowledge of financial statement	85	314
2	Managers of SMEs do not seek for the interpretation of financial report before taking decisions	98	301
3	There have been a steady increase in profitability of the business over years	247	152
4	There have been a steady Asset growth in the financial performance of business	286	113
5	Cash and Cash equivalent have been on the continuous increase in the firm	295	104
6	Knowledge of Accounting report aids management decision making	289	111
7	Employment is based on the increase in financial performance	302	97
8	Retrenchment have been based on the report of poor performance as shown by the financial statement.	295	104
9	The information from accounting report is used in making business decisions	257	142
10	Investors in the company request for accounting information before taking their decisions	220	179

4.2 Reliability Test

The data were tested for internal consistency using Chronbach's Alpha test as shown below:

Table 4.1 Reliability Statistics

Cronbach's Alpha	N of Items
.890	10

Source: The researcher using SPSS 23

The result from the chronbach's Alpha test shows a 89% internal consistency; this is quite high. Although the Chronbah's Alpha if certain items are deleted is a little higher as shown below. We will however, stick with the 89% which shows a good internal consistency.

Table 4.2 The Table showing Chronbach's Alpha if Item is Deleted

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Most managers of do not have a good knowledge of financial statement	5.73	9.899	.085	.912
There have been a steady increase in profitability of the business over years	5.70	10.345	-.088	.923
There have been a steady Asset growth in the financial performance of business	5.33	8.100	.704	.874
Cash and Cash equivalent have been on the continous increase in the firm	5.23	7.846	.885	.861
Knowledge of Accounting report aids management decision making	5.21	7.974	.854	.864
Employment is based on the increase in financial performance	5.23	7.788	.917	.859
retrenchment have been based on the report of poor performance as shown by the financial statement.	5.19	7.959	.884	.862
The information from accounting report is used in making business decisions	5.21	8.055	.817	.867
Investors in the company request for accounting information before taking their decisions	5.30	8.212	.671	.876
Q10	5.40	8.154	.662	.877

Source: The Researcher's computation using SPSS 23

Test of Hypothesis One

$H0_1$: The level of Knowledge and Comfort Owners of SMEs have does not affect the use of financial statements for decision making.

Table 4.3: Cross tabulation Result between knowledge and regular meeting to deliberate on financial report

CLASS OF RESPONDENT - MGR, ACC., CASHIER				Q10		Total
				NO	YES	
MANAGER	Q1	NO	Count	133	24	157
			% within Most	84.7%	15.3%	100.0%
		YES	Count	0	42	42
			% within Most	0.0%	100.0%	100.0%
	Total		Count	133	66	199
			% within Most	66.8%	33.2%	100.0%
ACCOUNTANT	Most managers of have a good knowledge of financial statement	NO	Count	157	0	157
			% within Most	100.0%	0.0%	100.0%
		YES	Count	0	42	42
			% within Most	0.0%	100.0%	100.0%
	Total		Count	157	42	199
			% within Most	78.9%	21.1%	100.0%
Total	Q1	NO	Count	290	24	314
			% within Most	92.4%	7.6%	100.0%
		YES	Count	0	84	84

	% within Most	0.0%	100.0%	100.0%
Total	Count	290	108	398
	% within Most	72.9%	27.1%	100.0%

Source: The Researcher using SPSS 23

Question 1 and 10 were used for this hypothesis. Question one tries to elucidate whether or not managers have a good knowledge of financial report while question ten is with the aim of ascertaining whether or not the management of SMEs sit for meeting to deliberate on the financial report presented by the accountants. The responses from all classes of respondents are similar. The Managers of the selected SMEs as shown from the result on table 4.3 reveal a 85% disagreement that managers of SMEs have a good knowledge of financial statement and they do not hold management meeting to deliberate of the financial report as presented by the accountant. The accountant also followed the same suit with a 79% disagreement that managers have a good knowledge of financial report and they do not border to call for management meeting to deliberate on the financial report presented by accountant. Thus the same position was held by both the managers and accountants of the selected SMEs at 92%. The significance of this assertion is shown below:

Table 4.4 the Chi Square and Pearson Correlation Result

CLASS OF RESPONDENT - MGR, & ACC.,		Value	df	Asymp. Sig. (2-sided)	Exact Sig. (1-sided)
MANAGER	Pearson Chi-Square	107.278[c]	1	.000	
	Continuity Correction[b]	103.490	1	.000	
	Likelihood Ratio	118.586	1	.000	
	Fisher's Exact Test				.000
	Linear-by-Linear Association	106.739	1	.000	
	N of Valid Cases	199			
ACCOUNTANT	Pearson Chi-Square	199.000[d]	1	.000	
	Continuity Correction[b]	193.040	1	.000	
	Likelihood Ratio	205.110	1	.000	
	Fisher's Exact Test				.000
	Linear-by-Linear Association	198.000	1	.000	
	N of Valid Cases	199			
Total	Pearson Chi-Square	285.895[a]	1	.000	
	Continuity Correction[b]	281.243	1	.000	
	Likelihood Ratio	295.803	1	.000	
	Fisher's Exact Test				.000
	Linear-by-Linear Association	285.177	1	.000	
	N of Valid Cases	398			

Source: The Researcher using SPSS 23

Table 4.5 Symmetric Measures

CLASS OF RESPONDENT - MGR, & ACC.,			Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
MANAGER	Interval by Interval	Pearson's R	.734	.044	15.179	.000[c]
	Ordinal by Ordinal	Spearman Correlation	.734	.044	15.179	.000[c]
	N of Valid Cases		199			
ACCOUNTANT	Interval by Interval	Pearson's R	1.000	.000	2392247512.581	.000[c]
	Ordinal by Ordinal	Spearman Correlation	1.000	.000[c]		
	N of Valid Cases		199			
Total	Interval by Interval	Pearson's R	.848	.028	31.779	.000[c]
	Ordinal by Ordinal	Spearman Correlation	.848	.028	31.779	.000[c]
	N of Valid Cases		398			

Source: The researcher using SPSS 23

The Chi Square reveal that the position of both the Managers and Accountant are significant at 0.000. The spearman correlation also assert the same at 0.734 and 1. This shows a strong correlation between the responses of the accountants and managers; and they are significant at 0.000 respectively. We can therefore conclude that Managers of SMEs do not have a good knowledge of Financial Report and therefore do not call for the review of such report. The null hypothesis is therefore rejected. The alternative hypothesis is accepted therefore which states that the level of Knowledge and Comfort Owners of SMEs do affect the use of financial statements for decision making.

Hypothesis Two

$H0_2$: Owners of SMEs do not apply financial report in decision making

Table 4.6 Cross Tabulation of Q5 and Q8

CLASS OF RESPONDENT - MGR, & ACC.,			The information from accounting report is used in making business decisions		Total
			NO	YES	
MANAGER	Knowledge of Accounting report aids management decision making	NO	55	91	146
		YES	15	38	53
	Total		70	129	199
ACCOUNTANT	Knowledge of Accounting report aids management decision making	NO	22	83	105
		YES	11	83	94
	Total		33	166	199
Total	Knowledge of Accounting report aids management decision making	NO	77	174	251
		YES	26	121	147
	Total		103	295	398

Source: The Researcher via using SPSS 23

Table 4.7 Chi Square Test Result

CLASS OF RESPONDENT - MGR, & ACC.,		Value	df	Asymp. Sig. (2-sided)
MANAGER	Pearson Chi-Square	1.497[c]	1	.221
	Continuity Correction[b]	1.114	1	.291
	Likelihood Ratio	1.531	1	.216
	Fisher's Exact Test			
	Linear-by-Linear Association	1.489	1	.222
	N of Valid Cases	199		
ACCOUNTANT	Pearson Chi-Square	3.068[d]	1	.080
	Continuity Correction[b]	2.436	1	.119
	Likelihood Ratio	3.129	1	.077
	Fisher's Exact Test			
	Linear-by-Linear Association	3.053	1	.081
	N of Valid Cases	199		
Total	Pearson Chi-Square	8.155[a]	1	.004
	Continuity Correction[b]	7.492	1	.006
	Likelihood Ratio	8.481	1	.004
	Fisher's Exact Test			
	Linear-by-Linear Association	8.135	1	.004
	N of Valid Cases	398		

Source: The Researcher via using SPSS 23

The cross tabulation result has not met the researchers' expectation. One would think that the financial report should aid decision making among SMEs; it appears the reverse is the case here. When compared with the result of hypothesis one, then the reason for this result will not be farfetched. The result of hypothesis one reveal that the level of knowledge and comfort of management of SMEs towards the financial report determines its usage. Consequently, if they are not knowledgeable in the interpretation of the financial report, they won't be comfortable in using the financial report for decision making. After all, you cannot give what you do not have. This assertion is backed up by the cross tabulation result that there is a mixed feelings between the Accountants and SME manager over the usage of financial report for decision making. Though more of the respondents accept that financial report is used for decision making but this is not significant with a P-value of 0.221 which is greater than 5%. We can therefore conclude that the null hypothesis stands which states that Owners of SMEs do not apply financial report in decision making.

Hypothesis Three

$H0_3$: Financial report of SMEs does not influence the behavioural pattern of new investors in analyzing the financial position of the business that they intend to invest in.

Table 4.8 Result of the Cross Tabulation Q9 & Q10

CLASS OF RESPONDENT - MGR, & ACC.,			Management of SMEs have regular meeting to decide the financial report of the business		Total
			NO	YES	
MANAGER	Q9	NO	53	31	84
		YES	80	35	115
	Total		133	66	199
ACCOUNTANT	Q9	NO	54	19	73
		YES	103	23	126
	Total		157	42	199
Total	Investors in the company request for accounting information before taking their decisions	NO	107	50	157
		YES	183	58	241
	Total		290	108	398

Source: The Researcher using SPSS 23

Table 4.9 Chi Square test

CLASS OF RESPONDENT - MGR, & ACC.,		Value	df	Asymp. Sig. (2-sided)
MANAGER	Pearson Chi-Square	.917[c]	1	.338
	Continuity Correction[b]	.648	1	.421
	Likelihood Ratio	.913	1	.339
	Fisher's Exact Test			
	Linear-by-Linear Association	.912	1	.340
	N of Valid Cases	199		
ACCOUNTANT	Pearson Chi-Square	1.677[d]	1	.195
	Continuity Correction[b]	1.243	1	.265
	Likelihood Ratio	1.646	1	.200
	Fisher's Exact Test			
	Linear-by-Linear Association	1.669	1	.196
	N of Valid Cases	199		
Total	Pearson Chi-Square	2.911[a]	1	.088
	Continuity Correction[b]	2.531	1	.112
	Likelihood Ratio	2.882	1	.090
	Fisher's Exact Test			
	Linear-by-Linear Association	2.904	1	.088
	N of Valid Cases	398		

Table 4.10 Result of the Spearman Correlation

CLASS OF RESPONDENT - MGR, & ACC.,			Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
MANAGER	Interval by Interval	Pearson's R	-.068	.071	-.955	.341[c]
	Ordinal by Ordinal	Spearman Correlation	-.068	.071	-.955	.341[c]
	N of Valid Cases		199			
ACCOUNTANT	Interval by Interval	Pearson's R	-.092	.073	-1.294	.197[c]
	Ordinal by Ordinal	Spearman Correlation	-.092	.073	-1.294	.197[c]
	N of Valid Cases		199			
Total	Interval by Interval	Pearson's R	-.086	.051	-1.708	.088[c]
	Ordinal by Ordinal	Spearman Correlation	-.086	.051	-1.708	.088[c]
	N of Valid Cases		398			

Source: The Researcher using SPSS 23

The results on Table 4.8, 4.9 and 4.10 should no longer be a surprise sequel to the first two results from this study. Table 4.7 show the cross tabulation of the relationship between investors using financial statement in deciding to invest in SMEs and Management scheduling meeting periodically to access the financial report with the aim to take crucial financial result. Both classes of respondents agree to this assertion in the ratio of 157 to 241. Though more of the respondents asserts that management hold periodic meeting to ascertain the report of the financials and investors use financial reports to ascertain there investment choices. These are not significant at a P value of 0.338 that is 34%. This is far higher than 5% significant level. We can therefore posit that financial report of SMEs does not significantly influence the behavioural pattern of new investors in analyzing the financial position of the business that they intend to invest in. The null hypothesis is accepted.

Hypothesis Four

H04: SMEs in Delta State do not employ professional Accountants to man their Accounting Department.

Table 4.11

			SMEs in Delta State employ professional accountants to man their accounting department		Total
			NO	YES	
CLASS OF RESPONDENT - MGR, & ACC.,	MANAGER	Count	106	93	199
		% within CLASS OF RESPONDENT - MGR, & ACC.,	53.3%	46.7%	100.0%
	ACCOUNTANT	Count	117	82	199
		% within CLASS OF RESPONDENT - MGR, & ACC.,	58.8%	41.2%	100.0%
Total		Count	223	175	398
		% within CLASS OF RESPONDENT - MGR, & ACC.,	56.0%	44.0%	100.0%

Source: The Researcher via SPSS 23

Table 4.12 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.234[a]	1	.267		
Continuity Correction[b]	1.020	1	.313		
Likelihood Ratio	1.235	1	.266		

Fisher's Exact Test				.313	.156
Linear-by-Linear Association	1.231	1	.267		
N of Valid Cases	398				

Source: The Researcher vis SPSS 23

Table 4.13 Symmetric Measures

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's R	-.056	.050	-1.110	.268[c]
Ordinal by Ordinal	Spearman Correlation	-.056	.050	-1.110	.268[c]
N of Valid Cases		398			

Source: The Researcher via SPSS 23

The cross tabulation result reveal a 53% and 59% negative respond from the selected Accountants and Managers of SMEs, on the question "SMEs in Delta State employ professional accountants to man their accounting department". Though this is not significant at a P value of 27% which is higher than 5% level of significance. 47% and 41% of the selected accountants and managers suggest professional accountants are employed by SMEs in Delta State. We can therefore accept the null hypothesis that states that SMEs in Delta State do not employ professional Accountants to man their Accounting Department.

DISCUSSION OF FINDINGS

The study aimed at ascertaining whether or not SMEs utilize financial reports in arriving at the decision they make. Understanding the report was the main bane of the problem. Many of the SME managers could not really interpret the report when presented and were not interested in organizing routine management meetings so as to get the interpretation of the financial status of their business. Again, the fourth Hypothesis reveal that most of these SMEs do not take the pain to employ professional accountants and this could be due to the cost of employing them. One cannot give what he or she does not have. This could be the reason why most Managers do not call for management meeting for the purpose of understanding the financial status of the organization.

It is obvious therefore that, SMEs do not use the financial statements produced from the business in taking crucial financial decision because most of the accountants they employ do not have basic understanding of the report they produce. Verbal discussions with some of the employees further reveal that managers depend on the physical outlook of the business in deciding whether or not the business is doing well.

CONCLUSION

The Nigerian economy requires serious intervention from the private investors if we must come out from this present economic quagmire. It is therefore imperative that we begin to consider every factor necessary to make the SMEs better and stronger. It is on this premise that this study is based.

The financial status of every business is the bedrock for understanding where the business is heading. The only way in arriving at this finding is via the financial report. The financial report of any business is like the medical report of the organization. A man could be seen as physically healthy but he is dead internally. This is true also of any business.

How often if any, do SMEs in Nigeria utilize financial report in arriving at any financial decisions of the business?

1. The level of Knowledge of Owners of SMEs does affect the use of financial statements for decision making.
2. Owners of SMEs do not apply financial report in decision making
3. Financial report of SMEs does not influence the behavioural pattern of new investors in analyzing the financial position of the business that they intend to invest in.
4. SMEs in Delta State do not employ professional Accountants to man their Accounting Department.

RECOMMENDATIONS

Consequent upon the findings of this study the following recommendations are made:

i. Managers of SMEs should be trained and retrained not only on leadership and corporate improvement but also on the financial statement appreciation.

Ii.Professional Accountants should be engaged to man the accounting department of SMEs who must produce financial report monthly for management consideration.

iii. SMEs should organize management meetings to consider the financial reports as presented.

iv. Investors must be furnished with the audited financial statements of the business and enlightened where necessary so they can have a full understanding of the financial status of the business they plan to invest in.
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