

HAFSO ABDULRAHMAN MO'ALLIM FARAH

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RELATIONSHIP BETWEEN FINANCIAL STATEMENTS AND INVESTMENT

DECISION MAKING AT TRUST AFRICAN BANK MOGADISHU, SOMALIA

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ABSTRACT

This study was carried out to examine the relationship between financial statements and investment decision making in Trust African bank Mogadishu, Somalia. Specifically, it sought to establish how statement of comprehensive income, statement of financial position and statement of cash flows relate with investment decision making in Trust African Bank in Mogadishu. The study adopted a correlational research design to establish the relationship between study variables. The primary data was collected from respondents by use of a self-administered questionnaire. Census and stratified random sampling techniques were used to select 168 respondents out of the study population of 216 persons comprising of the CEO, Middle Managers and Customers in Trust African bank Mogadishu, Somalia. Pearson correlations and multiple regression analysis were used to establish the relationship among the study variables. The correlations revealed a high, positive and significant relationship between statement of comprehensive income and investment decision making in Trust African Bank in Mogadishu ($r=.738$, Sig.value=.000, <value 0.05), a high, positive and significant relationship between statement of financial position and investment decision making in Trust African Bank in Mogadishu ($r=.748$, Sig.value=.000, <value 0.05) and a high, positive and significant relationship between statement of cash flows and investment decision making in Trust African Bank in Mogadishu ($r=.873$, Sig.value=.000, <value 0.05). Furthermore, a stepwise multiple regression analysis revealed that statement of cash flows is the most significant predictor to investment decision making in Trust African Bank in Mogadishu. Its relationship with investment decision making in Trust African Bank in Mogadishu is 0.873%; its effect on the sample is 0.763% while its effect on the population is .0761%. Nevertheless, a combination of the three financial statements (statement of comprehensive income, statement of financial position and statement of cash flows) would explain up to 79.5% change in investment decision making in Trust African Bank in Mogadishu on the selected sample and 79.1% on the total population. The researcher also recommended that in order to increase on comprehensiveness of the statement of comprehensive income, management of Trust African Bank needs to ensure that the statement of comprehensive income indicates all relevant accounts in the bank. Additionally, to increase on understandability of the statement of financial position, management of Trust African Bank needs to translate the Bank's statement of financial position into local Somali language and at the same time regularly evaluate its operational performance since this will help to identify significant variances from expectations and inaccuracies in financial data so that corrective actions may be undertaken.

