Qualitative Characteristics of Financial Information and Shareholders' Value Creation in Selected Commercial Banks in Rwanda

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Abstract

Qualities of financial information constitute a key factor for shareholders' decision making process. The financial scandals that took place in the last two decades are as the results of accounting manipulation and managers self-interests. This study investigated the effect of qualitative characteristics of financial information on shareholders' value creation in selected commercial banks in Rwanda. Survey design was adopted for the study, and purposively 142 respondents' perceptions were corrected for the purpose of this study. Statistically, the multiple regression model was used. The findings revealed that qualitative characteristics of financial information have significant effect on shareholders' value creation. This study concluded that financial information provided by commercial banks in Rwanda helps shareholders examining their interests and make relevant decisions. It was recommended that financial reporting should include more details and that meeting the deadline of reporting timeframe would enhance quality of shareholders' decisions.

Keywords: Banks, Financial information, Shareholders, Value creation

1.0 Introduction

Financial information plays a key role in decision making by the shareholders as key users of financial statements. Investors provide capital to the business and entrust it to specialized managers who should work to satisfy the interests of those owners. Investors have become multinationals based on the development of capital markets. Therefore, they need to have quality of information that indicates what managers have done and achieved with the resources, autonomy and power entrust to them.

The qualities of financial information which are relevance, faithful representation, comparability, verifiability, timeliness and understandability are clearly considered as important factors that allow economic, and financial decisions to be taken effectively and that professional accountants attach more attention to these qualities while preparing financial statements as required by regulatory bodies. The relevance and faithful representation are true fundamental qualities in financial reporting system (Mbobo & Ekpo, 2016). Quality based and accurate financial statements are tools that financial analysts use in financial information interpretation and forecasts. Qualitative financial statements should show financial elements and even the relationships between them so that a clear comparison can be done for informed decision making.
(Ahmed, Abbod & Al-Qadi, 2018). It is through qualitative annual reports that current and past financial position and performance of a firm are measured, and that future plans are based on. Botosan (2004), Chan-Jane, Tawei and Chae-Jung (2015) demonstrated that once financial statements are qualified, there would be less profit manipulation, less earnings management, corporate governance will be improved, internal audit and control will be measured effective.

Dunlop (2012), Masliza, Wasiuzzaman, Shahriar and Zaini (2018) suggested that for any financial information to be useful and beneficial to users it has to be presented at a specific right time otherwise is not relevant for decision making. This is to mean that when financial information is not time based, it loses its value for decision making needs so that such decision may help to change or to save the business opportunities. Accounting information is the product and output to measure the relationship between management and shareholders of an entity and is useful for multiple objectives depending on the users and financial accounting information is expected to be useful if it is relevant, comparable, reliable and timely presented. There have been a number of cases reporting the failure and dissatisfaction of shareholders in different part of the world. These were based on the fact that managers did not present the true picture of the use of resources entrusted to them by owners of capital. The selfish nature of managers led to loss of credibility and confidence on financial information and the shareholders' interests were not protected. The manipulation of accounting numbers led also to a high level of collapse of many companies, fraudulent on the side of managers has taken a high level in worldly known firms, such as WorldCom, Enron, Arthur Anderson, Anglo Irish Bank, Arcandor, China Medical Technologies (CMED), Banco Espirito Santo (BES), Savannah Bank, Cadbury Nigeria Plc among others (Brandthom, 2016; Bruhn, 2015; Dugan & McDonald, 2005; Grind, 2012; Healy & Palepu, 2003; Marshall, Pike, Pollard, Tomaney, Dawley & Gray, 2012; Moshirian, 2011; Nguyen, 2011; Nwaobia, Kwarbai & Ogundajo, 2016; Shin, 2009; Steen, McGrath & Wong, 2016).

Few years after Tutsi's Genocide of 1994, commercial banks in Rwanda were characterized by unqualified managers and unskilled accountants. This led to mismangement and poor reporting of financial information towards shareholders decision making quality. Some banks went through restructure in order to satisfy firms' shareholders. Rwanda is among few countries in Sub-Sahara Africa that fully adopted the International Financial Reporting Standards (IFRS) framework as basis for preparation and presentation of financial statements. One may ask whether commercial banks in Rwanda provide qualitative financial information and if such an information has significant effect on shareholders value creation as expected and promised by the leadership of the country. This study evaluated the effect of qualitative characteristics of financial information on shareholders' value creation in selected commercial banks in Rwanda.

2.0 Review of the literature

2.1 Relevance

The relevance of financial information is that it ought to create different options in decision making by its users (Power, 2010). This is to say that financial information should have
the capacity of influencing decision towards predicting value, and confirmation of the value of a specific item contained in financial statements provided by management. This is used by shareholders or investors when making their decision and measuring the business level of return on investments. It has been mentioned that financial information relevance comes as to confirm the financial information provided by management to decision makers about past and current events or situation that can be used as predictors of future longevity of business (Bambang, Kot, Adiati & Nur, 2018; Garcia & Cuadrado, 2011; Olayinka, Olojede & Olaoye, 2017).

IASB, (2008) considered financial information relevance as the capability that makes a significant difference in decision making by different information users especially the owners of capital and other financial resources. It continued by mentioning that for an information to be relevant it must have the capacity of predictive and confirmatory value. This means that an information from the company must have capacity to provide important future cash flows. Contrary, a predictive value is when an information has a certain value as input in predictive processes used by the owners of investors and other stakeholders to form their views about the company's future and what it will give them as a result of investing in such a business (Niyonzima & Soetan, 2018). For a financial, investing or operation decision to be effective it has to be based on the predictive value which comes from relevance of financial information. This cannot be achieved unless financial statements and other narrative reports show forward-looking statements and that the reports provide complete information in their disclosures where all the risks and opportunities are reported, and whether the financial reports are based on fair value. The meaning of forward-looking statement is that financial reports should explain and describe the expectations of managers regarding the future periods of the firms (Olayinka, Olojede & Olaoye, 2017).

The relevant annual report should contain financial and non-financial information that are useful for clarification of decision to be taken on major components of the financial statements. Both financial and non-financial should be able to provide business opportunities, risks and other useful business strategies (Tasios & Bekiaris, 2012). Barth, Beaver and Landsman (2001) suggested that there should be a comparison between fair value and historical cost for all the firm's assets and such a comparison should provide predictive value and most of the time fair value that can provide information that is reliable than cost principle. Relevance of financial information is important factor in financial reporting. The study of Kadous, Koonce and Thayer (2012) mentioned that the relevance of financial information contained in the financial statements is the basis of the setting of IAS/IFRS and is mostly considered by International Accounting Standards Board and Financial Accounting Standard Board in order to provide what should be expected from each standard to be issued and the study found that relevance of financial information is important for measuring the value of a firm. Oshodin and Chijoke (2014) demonstrated that the relevance of financial information is measured by EPS and is mostly considered by investors during their investment decision and the study found that financial statements information from oil and gas businesses is more relevant than the information from banking sector.
Olayinka, Olojede and Olaoye (2017) posited that the relevance of accounting information is important for effective decision making and helps in measuring earnings, and net income from qualitative financial reports. Omokhudu and Ibadin (2015) posited that the relevance of accounting information is a measurement of the value of shares of the listed companies. It provides evidence for effective measurements of shareholders’ value in terms of dividends. When financial information is not relevant it becomes difficult for capital market participants to make informed decision on types of investments to be done. Relevance of accounting information enhances financial reporting quality of the reporting entity (Cheung, Evans & Wright, 2010; Mbobo & Ekpo, 2016).

2.2 Faithful Representation

For financial information to be useful, it must be dependable by decision makers, this is to say that it must faithfully represent the financial position and performance of a company. It requires perfect faithful representation, completeness, neutrality and free from bias and accounting errors either in accounts records, in balances or in categories and classification. The financial statements must reflect economic substance of all transactions that took place during the accounting period and contain clear disclosures that are useful in decision making (Ogachi, Chuma & Onsiro, 2013). A reliable financial information is the one that is free from errors either material or immaterial; this is to say that it must be free from human manipulations and intentional mistakes that may lead to the wrong decision making process on the side of all users, and such an information will remain as it is for all the future uses especially in trends analysis or financial statements comparison analysis (Cheung, Evans & Wright, 2010).

It has been documented that for the financial information to be reliable, the decision makers should be free to make a checkup of any kind of information, and this is done through hiring the external professional accountants or auditors who evaluate, assess and report to external users what has been presented by management and provide assurance about the financial statements prepared and presented by management. Thus, accounting systems and internal control systems must be effectively implemented to allow the entity to produce reliable financial information (Alrshah, 2015; Power, 2010). Al-Ajmi and Saudagar (2011) argued that reliability of financial statements is a core value that is needed in today's challenging financial crisis in banking sector. This indicates that faithful representation of financial statements enhances quality of decision making because the financial information provided by accounting professionals is free from bias and errors. In the same line of thought, Olowokure, Tanko and Nyor (2016) posited that the basis of effective decision making process in financial terms is related to the characteristics of faithful representation of financial information. It has again informed that such a quality enhances quality of investors and creditors’ decision making (Seyed, 2014).

2.3 Comparability of Financial Information

Comparability of financial information means that company's situations (past and present) can be analyzed using at least two years comparative information, especially about the financial position and performance to measure the profitability level, and returns on investment (Obert, 2011). This refers to internal examination of financial position and performance. The
comparison of financial information can also be between two or more companies where, one compares its level of profitability and financial position to others in the same industry or sector of investment using different periods of business (Gaynor, Andrea, Molly & Teri (2016). Among different types of decisions to be made, comparability of financial information aims at helping decision makers or user to find out and get clear understanding of the existing similarities and level of differences that may exist within a company or industry and come up with strong corrective measures, and or new vision about what the entity is doing. For the industrial perspective, comparability of financial information mainly refers to the application of accounting principles, standards, policies and procedures towards their improvement or restructure (Braam & Beest, 2013).

Comparability of financial information has the ability of making a clear evaluation of the difference between the previous information and the current year's information. It provides evidence about the comparison of firms' financial information in the industry. Comparability helps in evaluation of companies acquisitions and merger and provides basis for future performance measurements (Ciao-Wei, Collins, Kravet & Mergenthaler, 2018; Niyonzima & Soetan, 2018). Klein (2018) considered financial statement comparability as the financial capacity of a firm that allows decision making to happen about what the firm got as profit, assets, expenditures, revenues, level of liabilities and even it influences the level of decision making in times of firms' merger and acquisitions. This indicates that before the ownership transfer, there must be financial statements comparability to inform buyers or purchasers profitability and sustainability level. Comparability of financial information is a way used by financial analysts in making financial forecasts and that it is through comparability that a firm communicates its accounting results. It is a key factor that leads to investors decision making before they proceed to acquisition of firms or businesses. This is based on the fact that when firms' financial statements are readily comparable, in terms of returns, better financial performance information is discovered and higher purchase synergies are also found to lead investors decision making. Thus, having access to comparable financial statements is important for acquirers in their process of business acquisition decisions and financial resources allocations (Eliu, Fang-Chun & Xiaodi, 2018).

Klein (2018) found that financial information comparability plays an informative role in purchasing company's business and indicates which business is more profitable in the industry from quoted firms in capital markets. It has been documented that the higher financial statements' comparability, the more effectiveness acquisition and merger decisions are. Eliu, Fang-Chun and Xiaodi (2018) posited that comparability of financial information improves the usefulness of such information in decision making and in information provision by financial forecasts. This indicates that financial analysts rely heavily on this quality in analyzing the past performance of companies in order to advise potential investors about the business and sectors to invest in (Niyonzima & Soetan, 2018). Comparability shows the higher earnings providers and makes easier the capital allocation process in competing projects/firms and this makes the future forecasts accurate. Financial statements should be having capacity of being compared to evaluate firm's financial position, past performance, level of cash flows and effectively plan for its future
outcomes (Cheung, Evans & Wright, 2010). This may be done for time series in measuring trends and even in the industry. Financial information comparability requires identical events that have to be from two different situations and this is contained in the accounting figures and facts and can be quantitatively measured to indicate whether the differences are significant and have impact on elements being compared for further decision (Downen, 2014; Gajevszky, 2015).

2. 4 Timeliness of Financial Information

Timeliness of financial information requires the presentation and communication of financial information before it loses its core value for decision making and change. Professional accountants and management are required to be aware that financial information is needed by users for a specific and timely purpose and have to present it in a very short time after the end of accounting period (Amaoko, 2012). Timely financial information helps to improve the weaknesses found during last accounting period and set strategies for future strengths, because financial accounting reports on what has happened. Financial information is relevant when it is presented on time and influences decision making process, otherwise it loses its quality of being relevant (Watson, 2012). It is in this regard that Lyimo (2014) documented that 21 first century requires a shift from manual accounting information system to computerized system in order to prepare and present information on time.

In a normal course of business, financial statements should be published between 90-120 days after the year end (Efobi & Okougbo, 2015; Leventis & Weetman, 2012). Iyoha, Ojeka and Ajayi (2014), Iyoha (2012) argued that financial reporting timeliness depends on the age of the company. In the same line of thought Luypaert, Van-Caneghem and Van-Uytbergen (2016) posited that small and medium enterprises report late and do not meet the legal reporting time. This affects their performance due to monetary sanctions which are used to improve their level of timely reporting deadlines. Also company's size and external audit services requirement affects positively the timeliness quality of reporting entities. It was also discovered that late financial reporting shows the lower financial reports quality. Again, meeting the financial reporting lag can be achieved through the adoption of accounting software that enhances the speed in recording, classifying, summarizing and publishing the annual reports and enhances efficiency of generation of financial statements and improves efficiency in auditing services and reduces cost of financial information disclosure (Johnston & Zhang, 2018).

2. 5 Understandability of Financial Information

The reliability of financial information comes from the financial reports that are easy to read and understand and the ones that do not confuse the readers and decision makers (Shahwan, 2008, Geoffrey, Holmes & Sugden, 2009). Therefore, accountants need to prepare financial accounting information in a recognized language and supply a more explanations or details about business activities of their entity in a clear full disclosure even if there is an assumption that users need to have basic knowledge of business and economic activities. Today's business environment has changed and external finances are procured from different globalized capital markets where local GAAPs are no longer in a position of satisfying the decision makers, such as stockholders and bondholders (Niyonzima & Soetan, 2018). The preparers of financial statements of a company should be mindful that the information is towards the users whose
interest is crucial than the preparers and these reports should be in a clear manner without compromising the fundamental qualities and the current accounting issues require the accountants to detail and provide full disclosure related to the financial information in a understandable way (Nobes & Stadler, 2015). The preparers of financial reports are to provide relevant, comprehensive and understandable financial reports that provide more information to the users who may even not be able to understand the reporting frameworks like IFRS and local legal frameworks so that any user-group may understand them by themselves and make good decisions (Tai-Yuan, Chen-Lung, Shiheng & Wei-Ren, 2018).

For financial information to be effective and useful for decision makers; there must be comprehensive and clear with meaning attached to every element that contains financial reports (IASB, 2008). This quality is measured by using different measurements which are (a) classification and characterization of financial information which is how the financial statements are organized in their presentation; means that the more annual reports are organized, the clearer and specific they become. (b) they should be presented in a transparent and clear manner; (c) the information is well disclosed to provide useful explanations and notes to balance sheet/statement of financial position and income statement/statement of comprehensive income by which more explanations and insights regarding earnings are given and narrative reports are also used in providing understandability financial information; (d) it was also mentioned that understandable financial reports which contain financial information should contain graphic or tabular formats which aimed at improving understandability where the relationships are easily measured and conciseness fully ensured (Allen & Ramanna, 2013; Jurij Renkas, Goncharenko & Lukianets, 2016; Siriyama & Norah, 2017). FASB (2010) posited that the accounting professionals who are in charge of preparing and presenting financial statements should use the terms that are familiar to users who even may not have accounting background, therefore, the sentences should be understandable, clearly readable with clear content. This means that the jargons should be avoided and if used glossaries should be attached to the report to enhance reports understandability. Financial information understandability is an important function of provision of financial reports that a firm should emphasize on. This is achieved through quality of communication used by the users for whom are prepared. posited that understandability of financial information is enhancing quality that all users of the firm's reports and is done when it is more classified and sufficient (Cheung, Evans & Wright, 2010; Downen, 2014).

2. 6 Verifiability of Financial Information

Financial information verifiability feature refers to the credibility of the information that is contained in the financial statements. It aims at providing assurance that the financial statements provide information which accurately show the business transactions that really took place in nature and in a legal form that can be verified and tested by any third party if users are not satisfied or have issues in analysis of the financial information issued by management. This can be done in investigating the physical existence of the events that took place and even recalculations of the relevance ending balances of the existing physical assets or subjects. This refers again to the issue of accounting measurement and recognition of events that had taken place in a given period of accounting (Watson, 2012). Lambert, Leuz, and Verrecchia (2007),
Nyor (2010) mentioned that financial reporting quality emphasizes that management of companies especially those that are quoted on capital market should provide relevant information willingly and have to provide more qualitative financial information accompanied by complete disclosures in order to evaluate and examine the future cash flows activities of the business in order to attract investors and procure more financial resources because financial reporting quality has a direct or an indirect powerful effect which influences of cost and procurement of capital.

Financial reporting quality requires a provision of financial information records and supporting documents to external examiners so that they may get basis for their opinion of published statements in order to secure shareholders and potential investments (Chechet, 2010). Thus, verifiability of financial information is considered as a tool for solving the problem of agency theory that posits that managers have their own interests first in mind before serving other shareholders’ needs (Nwannebuike & Nwadialor, 2016). Ezeagba and Abiahu (2018) demonstrated that financial reporting which includes accounting and auditing services should demonstrate ethical and integrity behaviours due to the fact that they provide certification for the basis of decision making process. This indicates that financial evidences should be kept by the reporting company and that each transactions recorded should have evidence so that the audit can be done to ensure the truth and fairness of financial statements.

2.7 Shareholders Value Creation

Shareholders’ value creation is from the shareholders theory that was created by Friedman from in the year 1962, when he declared that the main reason of being of any business entity is to increase or maximize shareholders’ value and that the social, environmental, customers, political and others values are not relevant at first place but as auxiliaries (Obert, 2011). Shareholders as initiators of the business are to be firstly served and this purpose should drive managers of their businesses to set strategic dimensions that would help them to capitalize in the profitable activities. Shareholders’ value is a combination their initial capital invested in a project through cash flows, long term cash flows that a project will generate at the end of a particular period of time and this is measured by residual after deduction of the initial capital from accumulated financial position at that particular period of time. The shareholders' value creation is considered to be a long run business and is a combination of future dividends called returns to them from the business in which they invested their capital. It is a management function to maximize this value in order to respond to the needs and wants of capital contributors. The capital contributed should therefore be invested in profitable activities which will generate high rate on return that is greater that capital's cost in order to make shareholders happy and confident in the safety of their investments. Thus, once there is a higher return of shares contributed, there will be more attractive ways to get additional capital that will help to get also more value creation by business and for business and shareholders in return (Damodaran, 2012; Pankaj & Pattanayak, 2014).

Atiye (2012), Chinelo and Anyanwaokoro (2017) provided factors that have significant influence on the shareholders' value creation and these are (1) income tax rate in a given economy (2) business growth rate (3) profitable margin (4) fixed capital investments (5) working capital investment (6) cost of capital (7) and duration for value increase. Once these factors are
all favourable to the business, the shareholders value will be sure and management will outperform the shareholders' expectations. Shareholders value creation is done once the companies are able to grow their cash flows for a long period of time and there is a clear management of its volatility. Additionally, there are other factors that influence shareholders value creation and these are (1) net profits after taxes have been paid (2) availability of tax benefit based on the capital structure (3) additional capital invested in business with intention to get growth(4) after tax rate to the return on the additional capital invested (5) business risk and (6) period of cash flows generation for which business entities count to fluctuate available resources (Hillman & Keim, 2001; Ankudinov & Lebedev, 2014; Chinelo & Anyanwaokoro, 2017; Oyong, 2016).

Managers considered as agents of shareholders should drive the business activities with intention and purpose of creating value to the owners of the capital and there should be strategies that sustain economic growth of the long period. All types of business entities or companies, should have as main purpose to operate business activities that create value to the shareholders' investment in terms of sustainability of profit and high level of returns to them. This should be done in consideration of internal and external drivers that push to shareholders value creation and have been tested empirically (1) the business process, (2) corporate governance issues, (3) business opportunities that shows economic growth, (4) capital structure in business, (5) business excellence, (6) and information disclosure. The value creation is the pursuit that each manager should look for in terms of sustainable strategies that enhance generation of return to the owners of capital in perpetual period. Thus, the returns should be more than the cost of capital (Bushman & Smith, 2001; Hartomo & Akt, 2014). Rappaport (1998), Nyiramahoro and Sooshina (2001) mentioned the ways in which managers should use to provide shareholders value creation (1) ensuring the operational excellence in whatever managers do towards organizational performance and firm possessions (2) relevant financial structure (3) having core competencies (4) relevant economic growth that enhances earning growth (4) quality based of information disclosure which are relevant to shareholders and, (5) quality of corporate governance mechanisms.

2.8 Theoretical Framework

This study was anchored on shareholder theory. This theory was propounded by Milton Friedman and it posits that it is the responsibility of managers to generate profits from the capital employed. This theory shows that managers are hired by the owners of the business known as shareholders in order to run the business on their behalf and provide returns of their capital. This contract obligates managers to morally and legally serve owners' interests (Brandt & Konstantinos, 2016). The supporters of this theory posit that management should work and provide financial returns or earnings and report clearly to the owners because business entities are in relationships' contract with many people, the profitability is key measure that satisfies the interests of each partner (Argandona, 2011, Freeman, 1984, Fernandez, 2002).

2.9 Empirical Review

The study of Ahmed, Abbod and Al-Qadi (2018) found that qualities of financial information is a key to business performance and that financial information quality is in strong
relationship with company's performance. The study of Dobre, Brad and Ciobanu (2015) found that relevant, reliable, understandable and comparable financial information creates value for users of financial information. Olayinka, Olojede and Olaoye (2017) found that value relevance of accounting information is an important indicator of the value that has been created by firms to shareholders mostly and other participants of capital market. Several studies Freeman, Harrison, Wicks, Parmar and De-Colle (2010), Jones and Felps, (2013) demonstrated that the primary objective of the company is to meet the shareholders' value. These studies found that firms' managers have always considered stockholders' value creation as a single value to pursue as the main reason for corporations establishment.

Freeman (2010) found that provision of quality based financial information helps in satisfying shareholders' decision making requirements. Businesses are to create value to the investors in showing them the level of cash inflows which is the source of financial performance, the level of profitability and sustainability of the business (Damouri, Khanagha & Kaffash, 2013). Investors use financial information in measuring the intrinsic value of a share of the company in which they can invest in. They need such qualitative information in order to compare it with current share price so that they evaluate the use of equity. They also make use of cash flows information in evaluating the liquidity position of the firms before they allocate their investment funds. They use financial reports in measuring the best companies that will provide investment opportunities (Loh, Thomas & Yu, 2017; Tijjani, Fifield & Power, 2009).

3.0 Methodology

This study used survey design and the five scale structured questionnaire was developed and administered to 148 employees working in management, finance and accounting departments of selected commercial banks in Rwanda, among which 142 copies of questionnaire were retrieved and analyzed to give empirical evidences of the study. Inferential statistics were employed where multiple regression model was adopted and level of 5% of error term was used.

\[ SHV = \beta_0 + \beta_1 REL + \beta_2 FAR + \beta_3 COM + \beta_4 TIM + \beta_5 UND + \beta_6 VER \]  
(1)

Where,

\( X = \) Qualitative Characteristics of Financial Information

\( X = f(x_1, x_2, x_3, x_4, x_5, \) and \( x_6 ) \) where, \( x_1 = \) REL = Relevance; \( x_2 = \) FAR = Faithful Representation; \( x_3 = \) COM = Comparability; \( x_4 = \) TIM = Timeliness; \( x_5 = \) UND = Understandability; \( x_6 = \) VER = Verifiability.

\( Y = SHV = \) Shareholders' Value Creation

\( H_0:1 \text{There is no significant effect of qualitative characteristics of financial information on shareholders' value creation in selected commercial banks in Rwanda.} \)

4.0 Findings and Discussion
The data on qualitative characteristics of financial information (relevance, faithful representation, comparability, timeliness, understandability, verifiability) and shareholders' value creation were created by summing responses of all items for each of the variables. The results of the regression are presented in Table 1.1 as follows:

**Table 1.1: Effect of Qualities of Financial Information on Shareholders' value creation**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.876</td>
<td>.567</td>
<td>3.306</td>
<td>.001</td>
</tr>
<tr>
<td>REL</td>
<td>.291</td>
<td>.137</td>
<td>.170</td>
<td>2.132</td>
</tr>
<tr>
<td>FAR</td>
<td>.152</td>
<td>.074</td>
<td>.145</td>
<td>2.056</td>
</tr>
<tr>
<td>TIM</td>
<td>-2.25</td>
<td>.075</td>
<td>-.201</td>
<td>-2.998</td>
</tr>
<tr>
<td>UND</td>
<td>.704</td>
<td>.116</td>
<td>.519</td>
<td>6.067</td>
</tr>
<tr>
<td>VER</td>
<td>.484</td>
<td>.123</td>
<td>.352</td>
<td>3.921</td>
</tr>
</tbody>
</table>

R= .732
Adj. R²= .519
F-Stat.= 31.413
P-Value (F)= .000

*a. Dependent Variable: Shareholders' Value*

The results from Table 1.1 revealed that relevance, faithful representation, understandability and verifiability of financial information have positive and significant influence on shareholders' value creation in commercial banks in Rwanda ($\beta_1 =0.170, \ t= 0.2.132, \ p-value < 0.05, \beta_2 = 0.145, \ t= 2.056, \ p-value < 0.05, \beta_3 = 0.519, \ t= 6.067, \ p-value < 0.05, \beta_5= 0.352, \ t= 3.921, \ p-value < 0.05$) respectively. On the other hand, timeliness has a negative and significant influence on shareholders' value creation ($\beta_5 =-0.201, \ t= -2.998, \ p-value < 0.05$). Comparability had a negative and insignificant effect on shareholders' value creation and was removed from the model. Based on the findings the study's model is represented as follows:

$$SHV = 1.876+.170REL + 0.145FAR - 0.201TIM + 0.519UND + 0.352VER + 0.567(2)$$

The Adjusted R² from Table 1.1 revealed that qualitative characteristics variables with reference to relevance, faithful representation, comparability, timeliness, understandability, and verifiability explained about 51.9% of variance in shareholders' value creation in selected commercial banks in Rwanda (Adj. R²= 0.519). While the remaining 48.1% of changes in shareholders' value creation is as result of some other factors that have not been captured in the model. The correlation coefficient (R= 0.732) shows that there is a very strong and positive relationship between qualitative characteristics of financial information variables and shareholders' value creation. The F-test of 31.413 is statistically significant with p < .005 indicated that the variables used in the model have a goodness of fit and that they are good
predictors of shareholders' value creation. The overall significance of the model provided evidence that led to the rejection of the null hypothesis that qualitative characteristics of financial information have no significant effect on shareholders' value creation in selected commercial banks in Rwanda. However, the positive effect on shareholders' value creation is mainly from relevance, faithful representation, understandability and verifiability variables as the results have indicated. The findings demonstrated that generally, qualitative characteristics of financial information influence shareholders' value creation in selected commercial banks in Rwanda. The results indicated that the relevance of financial information has positive and significant effect on shareholders' value creation. This indicates that commercial banks in Rwanda provide relevant information that enhances quality of decision making process by the owners of capital (Olayinka, Olojede & Olaoye, 2017). It also showed that there is usefulness and materiality of financial information provided by those banks. They also provide faithful information in terms of financial position and performance, even cash flows that are complete and neutral for the decision makers based on the fact that information received is free from the bias. The study showed that comparability quality does not significantly affect shareholders' value creation. The result indicated that timeliness has negative and significant effect on shareholders' value creation. This indicated that there reporting period should be enhanced so that the deadline of reporting should be met and that information should be reported on time for quick decision making by shareholders even if this depends on nature, age and size of the reporting entity (Efobi & Okougbho; Laube, 2015; Iyoha, Ojeka & Ajayi, 2014; Johnston & Zhang, 2018).

The results indicated again that understandability of financial information has positive and significant effect on shareholders' value creation. It is imperative that an easy and understandable language used for financial reporting enhances also decision taking on side of users. This indicated that preparers of financial statements from commercial banks in Rwanda put emphasis on the users of the information than themselves (Nobes & Stadler, 2015; Siriyama & Norah, 2017). Financial information from commercial banks in Rwanda is very verifiable. This is indicated by the positive and significant effect it has on shareholders' value creation. This means that once information can be traceable back from the reports to supporting documents, there is quality of information (Watson, 2012) and that reported information can be checked at anytime the users want. This demonstrates the ethical and integrity values in information reporting (Nwannebuike & Nwadialor, 2016; Ezeagba & Abiahu, 2018).

5.0 Conclusion and Recommendations

This study examined the effect of qualitative characteristics of financial information on shareholders' value creation in selected commercial banks in Rwanda. From the findings, it is established that relevance, faithful representation, understandability and verifiability of financial information have positive and significant effect on shareholders' value creation. The study demonstrated that financial information provided by commercial banks is significantly affecting shareholders' value creation in selected commercial banks in Rwanda. Based on the results, the study concluded that qualities of financial information play a key role in generating the shareholders' value. This study recommended that commercial banks in Rwanda should enhance
nature of financial information by showing a big picture of information such as reporting a summary of financial statements of at least five years in order to help shareholders tracing where their companies came from and decide where they want to take them to. The study also recommended that there should be enhancement of timely reporting so that shareholders should make decision on time.

References


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