International Journal of Research in Business, Economics and Management
Vol.6 Issue 2 March-April 2022
www.ijrbem.com

Financial Reporting Quality and Customers' Value Creation in Selected Commercial Banks in Rwanda

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ABSTRACT

This study evaluated the contribution of financial reporting quality on customers' value creation in Rwanda. The literature indicates that creating value for customers is important for sustainability of any kind of business. The study used ex-post factor and survey designs. The population of the study was 11 commercial banks licensed in Rwanda. Purposive sampling technique was used to select six banks which have data that covered a period of last years 18 years. Secondary data were extracted from past financial statements of the selected banks. Using total enumeration, primary data were collected from 148 staff of the six banks who work in the departments of accounting, finance and management, who are knowledgeable in financial reporting quality and value creation. Adapted and validated questionnaire was used in collecting primary data. The findings revealed that financial reporting quality had significant effect on customers' value creation (Adj-R^2=0.4338, $F_{(5,102)}$=79.76, p <.01), validated by qualitative findings (Adj-R^2=.435, $F_{(8,133)}$=14.553, p <.05). The study concluded that financial reporting quality influences value creation for customers in selected commercial banks in Rwanda.

Keywords: bank, customer, financial information, financial reporting, value creation

INTRODUCTION

Customers' value creation is imperative and firms are required to respond by providing financial information in quantitative and qualitative manner, through services and products offered and reflected in financial statements. However, the quality of the financial information and earnings disclosed had been misleading the public to a point of distortion (Brandthom, 2016; Bruhn, 2015; Consolidated Amended Class Action Complain, 2012; Parrot & Tierney, 2012; Youngsu, 2014). This assertion is evident in the works of Youngsu, (2014) and Steen, McGrath and Wong (2016) that the exact utility value that customers get from financial statements is far from the their expectation. Chari and Mohanty (2009) proposed a solution along quality service, financial cost vis-à-vis utility, and minimization of non-financial costs. This proposition presupposes that a parsimonious focus on shareholders' wealth maximization without attention to customers' value creation could deplete customer's value (Harrison & Wicks, 2013; Mitchell, Weaver, Agle, Bailey

& Carlson, 2016). While these scholars Youngsu (2014), Chari and Mohanty (2009), Harrison and Wicks (2013), Mitchell, Weaver, Agle, Bailey and Carlson (2016) have worked in different context and utilizing different constructs, none of the reviewed scholars seem to emerge from Rwanda and the focus has not been directed at the banking sector, thus the need to investigate and fill the gap.

Value creation for customers is key for every organization, whether public or private, profit making as well as non-profit making organization. Therefore, commercial banks survive the intense competition based on the value of their services that customers get.
It is from the financial statements that customers as well as other users measure if the company has capacity to satisfy their needs in terms of services as well as physical products. They compose the accounts receivable in the statement of financial position of the company while others may find themselves in notes receivables. The Way Company prepares and present its financial statement has significant role in ensuring customers value creation.
The customers have been exploited through low quality service with high prices of those services and even lenders and creditors were not taken care of in terms of financial reporting, where they faced high risk level of their funds (Mauwa, Namusongeand & Onyango, 2006). Different factors have been attributed to these problems such as low quality management, poor corporate governance, insufficient expertise or skills, insufficient training and development programs (Banque Natioinale du Rwanda [BNR], 2016; IMF, 2000; IMF, 2011; MINECOFIN, 2012; Porter & Mccreless, 2008 WB, 2009). It is on the strength of these divergence in positions that this work investigated financial reporting quality and customers value creation in selected commercial banks in Rwanda using both primary and secondary data.

LITERATURE

Customer Value Creation

The customers or consumers' need and wants from the business companies is high quality of products and services that satisfy them at a reasonable fair price. This shows that value creation emanates from the companies, towards what the customer expects from them. Another measure of customer value creation from companies is the utility value that is, the quality of products or services that the customers pay for. This customer value creation measured by utility is expressed in terms of what the products or services serve (functional utility value creation), the price/cost of the products or services (economic value creation) and finally the feelings of the customer (emotional value creation). All of these elements measure the quality of customer value creation (Chari & Mohanty, 2009; Lorne & Dilling, 2012).

Customers' value creation is again shown in the process of getting products and services in their own setting at a reasonable costs. Thus, companies have to incur costs related to customer segmentation, new improved technology that are useful in delivery, and that availed the product or service to the customers. Companies normally use and adopt value-based pricing method in communicating the value of their products or services in responding to the value creation to their customers and this is based on the fact that cost or price is relative to customers (El-Bodan, Aga & Abu, 2017; Sharma, Krishnan & Grewal, 2001).

Yamamoto (2012) argued that, since the customer segmentation informs the customers of the place and ways that they can receive the company's products or services, it is important for management to include in their reporting system the location of their branches, and financial reporting should show the segmented information especially for the international firms and companies with many branches so that management may measure the customer value created and compare it with the cost involvement. It is a work of management in creating value for customers in terms of (1) low level of price to the products or services (2) rapid in services delivery (time cost reduction) and (3) cost while waiting for being served (energy cost).
Oritsematosan and Agwu (2014) posited that it is an important decision on management side to fix a price that satisfies the customers considering how much was invested in the production of the product or service by company, but regardless the cost of production, companies should not exaggerate in the price fixation, because the cost to be paid by customer should create value to the business but mostly to the customer, through the utility of its consumption. Youngsu (2014) considered that it is through financial reporting that customers should be informed about the value that is created in the their favour and also need to know if the company has the capacity of producing the products or services that are needed and the sustainability of the business for a long run to show them the financial capacity that will help company to satisfy their needs and wants in terms of products/service delivery and their quality. Customer value creation has attracted the attention of scholars (Bakutyte, & Grundey, 2012; Parrot, & Tierney, 2012) who opined that it is a key factor that is used to provide competitive tool in today's business environment. It requires the company to proceed to the sales of their products at a price that the customer is able to afford and pay. Customers' value is also done through sales allowances and discounts that attract the customer's attention and continually becomes a faithful customer. Once financial discounts are given to the customers they all feel motivated to repurchase from the same company. Companies' sales should not be exploiting the customers but motivating them to become loyal to their products or services.

The provision of sales discounts and promotional items to the customers creates a communication and relationship between the company and its customers and with this kind of relationship the customers trust is increased for a long term and as a result the organizational performance falls into the business through value realization for perpetuity (Bertini & Gourville, 2012). The benefits contained in the products or services that customer pay for, should be greater than the contents and components of the cost they pay otherwise. The costs set highly will disappoint the customers and as a result companies will lose them. Thus, monetary discounts in terms of cost to pay contribute too much in the customer value creation in such a way that what the customers pay becomes less than what they pay, such discount can also be used in their repurchasing behaviour. In merchandising and manufacturing companies there may be use of transport allowance, equipment installation, free repair and support, replacement in the case of poor performance, after sales services and packages. These create a positive value to the customers. In service companies there are five (5) components of customer value creation which are (1) service quality (2) customer reaction to service (3) financial cost (4) service reputation (5) non-finance costs (Chari & Mohanty, 2009).

There are different pricing models that are used in creating and measuring the customer value creation (1) traditional cost-based pricing and (2) customer-value based pricing and (3) customer-perceived value analysis. The traditional way of pricing is a computation of the all costs incurred plus a certain level of profit margin in order to get selling price without considering whether the customer has purchasing power or not. The second and third techniques base their selling price estimate based on the customers' perceptions and financial payment capacity (Harrison, Bosse & Phillips, 2010).

Financial reporting of firms should include value created for customers due to the fact that they are important to the existence and with which there would not be sales which as a result of other stakeholders' value cannot be achieved. This shows that even the management self-interests cannot be without customer’s patronage to the business. This shows that without customers' value creation, the company's products and services cannot be produced based on the fact that today's business is done based on customers' needs (Jones & Felps, 2013; Mitchell *et al.*, 2016).

It is up to the business to report the customers' value creation and disclose information which should show the interests that the firm has towards customers and how the products or services reach them at minimum price. This indicates that the satisfaction of customers, trust and retention strategies should be included in company's reporting system as a basis for other stakeholders' value creation (Freeman, 2011). Availing useful products or services is not enough for business sustainability. Hence, business organisations should put in place price and cost structures that create value for customers than only value capturing that is, sales performance that provides profits to shareholders only. This means that value creation comes from the relationship that the company creates with the consumers of its products or services, where companies creates value for customers and pay for it and such payment becomes basis of profits that satisfies investors, and in this case the value creation becomes a sustainable strategy (Verdin & Tackx, 2015).

To measure the value creation for customers, this study adopted to use the actual value of advances and loans to customers of the banks. This is based on the fact that what the customers expect from commercial banks in the value in terms of advances and loans so that they can improve their living conditions, socio economic development, business start-ups and expansion, education, health among others variables.

Financial Reporting and Customers Value Creation

Lieberman and Balasubramanian (2007) found that consumers or customers' value creation is demonstrated in such a way the companies have invested in the area of innovations that increase the customers motivation to pay for the products or services that the companies avail to them and get more satisfaction; in the reduction of the cost of delivery to them and adoption of technological channels and investment in service delivery.

Shanker (2012) found that, it is a task of the companies to create customers' value in order to grow their revenues and have survival and going concern aspect of the business. In the same line of thought, Roddy (2008) found that if a company needs to get its wealth maximization for the shareholders it has first of all to invest in the customer value creation, because customers are the source of income for any business oriented entity, which is shown by customer based profitability analysis and customer life database creation. Yamamoto (2012) found that customer value creation is a key factor for the sustainability of any business entity, and is the difference between the value of the purchased item or service and the cost that the customer paid for it. Thus, a company creates customer value in the process of providing quality service or products, which enhance the customer satisfaction and enjoyment at low cost.

Bakutyte and Grundey (2012) found that the customer value creation should include product value, service value, personnel relationship value, company's image value, financial costs: price that is affordable, other products/service related costs, time costs, energy costs, and emotional costs. All of these components of customer value creation should be considered and managed by the companies for their sustainable development and going concern life cycle. Ahmed, Abbod and Al-Qadi (2018) found that the traditional financial reporting which only focuses only on balance sheet and income statement measurements are no longer enough to provide needed information for decision making in developed and developing countries.

In the same line of thought the study of Abdallah and Majbour (2015), Chalaki, Didar, and Riahnezhad (2012) found that financial units of measurements on earnings and accounting profits ignore the value creation for customers' value. To solve this challenge in financial reporting, there should be consideration of intangible assets through intellectual capital and dimensions of balance scorecards which focuses on integrated financial and non-financial inclusion in annual reports. The findings of the study of Abdallah and Majbour (2015) demonstrated that qualitative characteristics of financial information are useful for customers decision making. This indicated that relevant, faithfully represented, comparable, timely, understandable and verifiable information is needed by customers to make their decision on how to work with suppliers and get quality based service measured in financial terms such as loans and advances for their business.

Furthermore, Ghosh and Anne (2012) found that even if accounting performance measures are useful, they are not enough to procure complete information for decision making, therefore, non-financial information plays an important role measuring current performance of businesses. Hope, Thomas and Vyas (2013) concluded that firm value is measured and demonstrated through various activities which include, innovation, employee productivity, customer's satisfaction, and government support.

Theoretical Framework

This study was anchored on stakeholders' theory because the study would show that financial reporting practices are towards value creation for all the stakeholders who have interests that would be protected by the reporting firms. This theory is inclusive and demonstrates that firms' managers should provide information to all of their partners so that they can make informed decision about the relationship with the companies.

METHODOLOGY

This study adopted triangulation research design, this is due to the fact that secondary data were collected from financial statements of selected commercial banks and were validated by primary data collected through a valid and reliable questionnaire. The population was 11 commercial banks and sample size was 6 banks. The secondary data were extracted from financial statements or annual reports of six (6) selected commercial banks. 108 observations were extracted for the purpose of evaluating financial reporting and value creation in those selected commercial banks in Rwanda. The secondary data covered a period of 18 years (2000-2017) based on the availability of their financial reports. To validate the quantitative findings, this study involved primary data, the targeted population is 148 staff working in accounting, finance and management at the headquarters of the six (6) commercial banks.

For the use of secondary data, the following model was adopted. X= (x_1, x_2, x_3, x_4, and x_5); x_1= EP = Earnings Predictability; x_2= TAC = Accrual Quality; x_3= TLR = Earnings Management; x_4= AC = Accounting Conservatism; x_5= TDI = Total Disclosure Index= Information Disclosure. y = ALC = Advances & Loans to Customers= Customers Value.

Based on the foregoing, the following functional relationship have been developed and are in line with research objectives using the secondary data:
ALC_{it} = f (EP_{it}, TAC_{it}, TLR_{it}, AC_{it}, TDI_{it})............ function 1

While for the qualitative variables the following relationships were formulated to lead the models specification. X= Financial reporting practices (independent variable): X= f(x_1,x_2,x_3,x_4,x_5, x_6, x_7 and x_8), 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 x_7= IFRSA = IFRS Adoption; x_8= IDSC = Information Disclosure and; y = CUV= Customers Value. Based on the foregoing, the following functional relationship have been developed and are in line with research objectives using primary data.
CUV = f(REL, FAR, COM, TIM, UND, VER, IFRSA,IDSC)..... function 2
Therefore, based on the specification of variables, the following model was specified in relationship with the research hypotheses and were used to test hypotheses based on primary data:
For secondary data analysis the following models were adopted under static models.
$ALC_{it} = \alpha_0 + \beta_1 EP_{it} + \beta_2 TAC_{it} + \beta_3 TLR_{it} + \beta_4 AC_{it} + \beta_5 TDI_{it} + \varepsilon$ ...... Equation 2.

Where, α_0 is the intercept for each of the model; β_{1-} β_5 are the coefficients of the independent variables; ε is the disturbance term that absorbs other effect from variables that have been ignored in the study. For the qualitative variables the following models have been developed.

$$CUV = \beta_0 + \beta_1 REL + \beta_2 FAR + \beta_3 COM + \beta_4 TIM + \beta_5 UND + \beta_6 VER + \beta_7 IFRSA + \beta_8 IDSC + \mu$$
Equation 2.

Where β_0 is the intercept for model 2, β_1 - β_8 are coefficients of explanatory variables, using primary data and μ= error term.

FINDINGS AND DISCUSSION

This sub section showed the results for post estimation tests for model 1 of this study. Table 1 indicates the results.

Table 1: Post Estimation Tests for Model 1

Tests	Statistics	Probability
Walt Test	32.31	0.0000***
Hausman Test	281.92	0.0000***
Breusch Pagan RE Test	51.39	0.0000***
Heteroscedasticity Test	100.65	0.0000***
Wooldridge Test for Autocorrelation/ Serial Correlation Test	170.416	0.0000***

Source: Researcher's study outputs (2021) *** p<0.01, ** p<0.05 and * p<0.1

Interpretation

Table 1 presents the results of the post estimation test related to the determination of the choice and appropriateness of the estimation technique used in testing the second null hypothesis of this study. The Hausman test was conducted to determine whether pooled OLS, fixed effect or random effect estimation technique is appropriate for the model 1. The Hausman specification test has as its null hypothesis that the difference in coefficients of a model is not systematic and hence the random effect estimation technique is appropriate. The result of the test showed a probability value of 0.000 which is lower than the 1% level of significance hence, this indicates that its null hypothesis cannot be accepted by the study. The fixed effect estimation technique was used for the model 1 of this study.

The study also sted Wald test for heteroscedasticity to determine if the variance of the residuals are constant. This test has a null hypothesis of constant variance of the residual, the result of the test showed a probability of 0.0000 which is lower than 1% level of significance. This indicates that the study cannot accept the null hypothesis of constant variance, indicating that the variance of the residual is not constant. The study also tested the autocorrelation in the panel data collected by using the Wooldridge test. The null hypothesis of this test is that there is no first order autocorrelation and its result in this model showed a probability of 0.0000 which lower than 1% level of significance and indicated that the null hypothesis cannot be accepted, there is presence of autocorrelation in the model. All of these tests indicated that we cannot use fixed effect rather Discoll Kraay Standard Error estimates for linear panel models.

Evaluation of the Polynomial Econometric Model

The results are presented into 2 tables as follows:

Table 2: Effect of Financial Reporting on Customer's Value Creation (Model 1)

Variables	Coefficient	Std Error	t-value	Probability
Constant	3.342556	0.1951656	17.13	0.000***

EP	-6.020192	1.429636	-.4.21	0.001***
TAC	-0.1144609	0.3316587	-0.35	0.734
TLR	11.07844	1.866643	5.93	0.000***
AC	-0.0125213	0.053648	-0.23	0.818
TDI	1.373573	0.2523021	5.44	0.000***
F	79.76			
Prob. *F-Statistics*	0.0000***			
Adjusted R^2	0.4338			

Notes: Table 2 reports Driscoll-Kraay standard error for time-fixed effects results of the effect of financial reporting on customer's value (ALC) creation in selected commercial banks in Rwanda. **The dependent variable is customer's value (ALC)**.The explanatory variables are earnings predictability (EP), accrual quality (TAC), earnings management (TLR), and accounting conservatism (AC), information disclosure (TDI). * Significant at 10%, ** Significant at 5%, *** Significant at 1%.

Interpretation

Using the Driscoll-Kraay model for the purpose of interpretation, the results in Table 2 shows that the coefficients earnings management and information disclosure are positive. This suggests that there is a positive relationship for the two financial reporting practices with the customer's value creation of selected commercial banks in Rwanda. These are the variables that are statistically related to customer's value creation at 1 per cent level of significance. This suggests that earnings predictability, earnings management and information disclosure are factors influencing changes in customer's value creation of selected commercial banks Rwanda.

The magnitude of the estimated parameters suggests that 1 per cent increase in earnings management, and information disclosure will lead to 11.08 and 1.37 per cent increase in the customer's value creation of selected commercial banks in Rwanda respectively. Conversely, 1 per cent increase in earning predictability, accrual quality and accounting conservatism will lead 6.02, 0.11 and 0.01 decreases in the customer's value creation of the selected commercial banks in Rwanda. Based on these findings model 1 is as follows:

ALC= 3.342556 -.6.020192 EP + 11.07844 TLR + 1.373573 TDI---------------- model 1

Where, ALC= Advances and Loans to Customers representing customers' value creation; EP= Earnings Predictability representing earnings quality; TLR= Timely Loss Recognition representing earnings management and TDI=Total Disclosure Index representing information disclosure

The adjusted R^2 which measures the goodness of fit of the model is about 43 per cent. This implies that increase in selected commercial banks in Rwanda earnings predictability, accrual quality, earnings management, accounting conservatism and information disclosure only explains about 43 per cent changes in the customer's value creation of selected commercial banks in Rwanda, while the remaining 57 per cent are other factors which affect the customer's value creation of selected commercial banks in Rwanda, but were not captured in the model.

The *F* test statistic of 79.76 is statistically significant at 1 per cent level of significant, this suggests that selected commercial banks in Rwanda earnings predictability, accrual quality, earnings management, accounting conservatism and information disclosure jointly explain changes in customer's value creation of Rwandan banks. Therefore, the study cannot accept the fifth null hypothesis which stated that there is no significant effect of financial reporting variables (earnings persistence, accrual quality, earnings management/timely loss recognition, information disclosure and accounting conservatism) on customers' value creation in selected commercial banks in Rwanda.

These findings are completed by the results from financial reporting qualitative variables (relevance, faithful representation, comparability, timeliness, understandability, verifiability, IFRS adoption, and information disclosure) which have significant effect on social and customers' value creation in selected commercial banks in Rwanda. The results of the step-wise regression are presented:

Table 3: Effect of Financial Reporting on Customers' Value Creation (Model 2)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1.272	.864		-1.472	.143
REL	-.418	.158	-.232	-2.649	.009
FAR	.123	.093	.112	1.324	.188
COM	.009	.185	.005	.048	.962
TIM	.350	.122	.296	2.875	.005
UND	.084	.157	.059	.537	.592
VER	.417	.143	.288	2.923	.004
IFRSA	.722	.152	.507	4.764	.000
IDSC	-.090	.077	-.114	-1.174	.243

R=.683 R^2=.467 Adj. R^2=.435 F =14.553, Sig. = .000

Source: SPSS Output, 2021

Table 3 provides the summary of results of regression analysis for the influence of financial reporting variables (relevance, faithful representation, comparability, timeliness, understandability, verifiability, and IFRS adoption and information disclosure on customers' value creation in selected commercial banks in Rwanda. The results from Table 3 indicates that timeliness, verifiability and IFRS adoption have positive and significant effect on customers' value creation in selected commercial banks in Rwanda (β_4= .296, t= 2.875, $p < .05$, β_6= .288, t= 2.923, $p < .05$, β_8= .507, t= 4.764, $p < .05$) respectively. This indicates that 1 per cent increase in timeliness, verifiability and IFRS adoption will lead to .296, .288 and .507 per cent increase in customer's value creation respectively. While faithful representation, comparability and understandability have positive but insignificant effect on customers value creation in selected commercial banks in Rwanda (β_2= .112, t= 1.324, $p > .05$, β_3= .005, t= .048, $p > .05$, β_5= .059, t= .537, $p > .05$). On the other hand, relevance has negative and significant effect on customers' value creation in selected commercial banks in Rwanda (β_1= -.232, t= -2.649, $p < .01$). This implies that 1 per cent increase in relevance will lead to .232 per cent decrease in customer's value creation. Information disclosure has negative but insignificant effect on customers' value creation in selected commercial banks in Rwanda (β_7= -.114, t= -1.174, $p > .05$).

Based on the findings above the model 2 is represented as follows:

CUV= -1.272 - 0.232 REL + 0.296 TIM + 0.288 VER + 0.507 IFRSA + 0.864 Model 2.
Where, CUV= Customer Value; REL=Relevance; TIM= Timeliness; VER= Verifiability and IFRSA = IFRS Adoption

The Adjusted R^2 revealed that financial reporting with reference to relevance, faithful representation, comparability, timeliness, understandability, verifiability, information disclosure and IFRS adoption explained about 43.5% of variance in customers value creation in selected commercial banks in Rwanda (Adj R^2 = .435). While the remaining 56.5% of changes in customers value creation in selected commercial banks in Rwanda is as result of some other factors that have not been captured in the model. The correlation coefficient (R = .683) shows that there is a moderate and positive relationship between financial reporting variables and customers value creation in selected commercial banks in Rwanda. The F- test of 14.553 is statistically significant with $p < .05$ indicated that the variables used in the model have a goodness of fit and that is a good predictor of the main variables.

From the qualitative view of financial reporting and value creation, the overall significance of the model leads to the rejection of the null hypothesis that there is no significant effect of financial reporting (relevance, faithful representation, comparability, timeliness, understandability, verifiability, IFRS adoption and information disclosure) on customers' value creation in selected commercial banks in Rwanda. However, the positive effect on customers' value creation is mainly from timeliness, verifiability and IFRS adoption variables as the results have indicated. These findings are in relationship where both exert significant effect on customer's value creation in selected commercial banks in Rwanda. This is indicated by the fact for both about 43% change in customers value creation in selected commercial banks is as a result of either quantitative or qualitative financial reporting variables. This is the best relationship because both categories of financial reporting explain the same change of customers' value creation in selected commercial banks in Rwanda.

The findings in Table 3 demonstrated that financial reporting has significant effect on customers' value creation in selected commercial banks in Rwanda. This means that the level of profit margins set by commercial banks in Rwanda accommodate the customers paying or purchasing capacity and that commercial banks are not exploitative. The findings indicated again that customers' doubtful or uncollectible accounts are recognized on time and that those banks provides relevant information to the customers in order to improve their relationship banking process. This implies that commercial banks have invested in the area of innovations and technology so that the customers' costs to do their banking operations becomes easier and saves their time to fluctuate their advances and loans they got from those banks.

These findings are in line with the findings of the study of Lieberman and Balasubramanian (2007), and Shanker (2012) who found that companies should invest in customers relationship banking, innovations so that the products and services to them be affordable and this should be done through investment in technology. The study of Roddy (2008) indicated that each company needs to get its wealth maximization in order to respond to the shareholders expectations, but this eminent objective cannot be achieved without creating value for customers who are sources of all revenues, and other incomes, thus, customer based profitability analysis and customer life databases creation is inevitable.

The findings of the study confirm the findings of the study of Yamatoto (2012) who found that customers' value creation is a key factor for the sustainability of the business and that there should be a difference between the value of the purchased service and the cost that the customer has paid.

This indicates that customer satisfaction should a hallmark of the banking firms in Rwanda. The findings are in line with the findings of the study of Bakutyte and Grundey (2012) who found that customer value creation is related to the product value, service value, and customers' relationship value with the personnel, and financial costs imposed on them when borrowing.

The findings in Table 3 indicated that timeliness quality of financial information has positive and significant effect on customers' value creation in commercial banks in Rwanda. This indicates that reporting on time helps customers to plan their businesses and improve the relationship with those commercial banks. This correlates with the findings of the study of Bakutyte and Grundey (2012) who found that customers' value creation is manifested in terms of services received and reduction of costs they spend in waiting for the services and products. However, the study completes the findings of the study of Ahmed, Abbod and Al-Qadi (2018) who found that traditional financial reporting which only focuses on balance sheet and income statement measurements is no longer enough to satisfy customers' needs for their effective decision making. This indicates that having financial statements on time helps customers in their business planning in terms of availability of products and services, their costs, and time it takes to reach them and that beyond quantitative measurements of financial information, qualitative information is needed in order to capital intangibles assets such goodwill created by the list of customers.

The findings again indicated that verifiability quality has also a positive and significant effect on customers' value creation in selected commercial banks in Rwanda. This indicates that customers are able to make a check on their balances and that there is enough supporting documents that justify their accounts operations that are done in terms of deposits, withdrawals and other operations that are done on customers' instructions such as payment of loans and relevant bills on their behalf by banks. This agrees with the findings of Shanker (2012) which found that creating customers' value is shown by the kind of relationship that exists between companies and their customers and that the company's revenues come from their customers and that no company can survive if there is customer satisfaction in terms of products and services, and their costs. This indicates that having access to the supporting documents that and bank accounts statements indicates the kind of relationship that commercial banks create with their customers and helps customers to do their bank reconciliation where any difference is settled between a bank and its customers.

IFRS adoption has a positive and significant effect on customers' value creation in selected commercial banks in Rwanda. This means as international reporting framework, it helps customers to measure the level of international adhesion of commercial banks and that the customers are not only localized at national level but that also international customers can read and understand the financial statements prepared and presented by commercial banks and this opens the doors for reporting firms to have diverse group of customers.

This is in conformity with the findings of the study of Abolaji and Adeolu (2015), Brad, *et al.*, (2014) who found that IFRS adoption facilitated improvement of quality of financial reporting where company that has adopted them gain a competitive advantage of having different users and that financial information prepared under IFRS is useful for their effective decision making process. This indicates that IFRS adoption adds credibility and confidence of the stakeholders users including customers and the study of Matthew (2015) found that companies that adopted IFRS have more benefits where all stakeholders' interests are provided and that customers can get long term borrowings from commercial banks because they can get liquidity from even international capital markets and other financial institutions that work globally with banks to allow business improvement and economic development.

The study found that relevance quality has a negative and significant influence on customers' value creation in selected commercial banks in Rwanda. This indicates that financial information provided by commercial banks management lacks some relevant elements that are useful for customers' decision making. This shows that there is a problem of materiality and usefulness of their financial statements. However, the findings of the study of Olayinka, Olojede and Olaoye (2017) contradicts this findings where they found that relevance of financial statements is important for informed decision making by different users of financial information. This shows that commercial banks in Rwanda should know that relevance of their financial information helps in forecasting their cash flows and predicting their earnings and relationship with their stakeholders.

These findings give credence to stakeholders' theory because the relationships between firms and their customers are foundation to the success and sustainability of the firms as indicated by Dawkins (2014), Parrot and Tierney (2012) with Simpson, Fischer and Rhode (2013) which demonstrated that existence, effectiveness and sustainability of any firm depends on the outside stakeholders especially those that consume its products and services. This means that customers are key stakeholders to the firms and that their interests should be protected and that the direct or indirect relationship should be improved because without customers, there would not be revenue generation. This is in Freeman's view that companies should protect joint value that is created between them and their customers (Iona & Adriana, 2013).

CONCLUSION AND RECOMMENDATIONS

The customers' value creation is positively linked to timeliness, verifiability, IFRS adoption, earnings management and information disclosure while are negatively affected by relevance of financial information and earnings predictability. Customers should be given relevant information about their savings, services and products of commercial banks in terms of quantity and quality so that they make informed decision towards their growth and expansion of their business and savings. They would like to receive faithful, comparable, understandable, full disclosed information regarding commercial banks activities by their management. This study recommends the establishment of financial reporting council in Rwanda that would reinforce the publication of financial statements that protects stakeholders' interest than companies reporting for purpose of taxation filling and remittance only. This will also increase the capital market credibility as one condition of being list on Rwanda Stock Exchange market.

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