THE ROLES OF RATIO ANALYSIS ON MANAGMENET DECISION MAKING IN AND ORGANIZATION

(CASE OF UNITED BANK FOR AFRICA, PLC ILORIN)

BY

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HND/23/ACC/FT/0397

SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES, KWARA STATE POLYTECHNIC, ILORIN

IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN ACCOUNTANCY

JUNE, 2025

CERTIFICATION

This is to certify that this project work has been written by OLATUNJI KAOSARAT OPEYEMI matriculation number HND/23/ACC/FT/0397 and has been read and approved as meeting part of the requirements for the Award of Higher National Diploma (HND) in the Department of Accountancy, Institute of Finance and Management Studies, Kwara State Polytechnic, Ilorin, Kwara State.

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DEDICATION

This project is dedicated to the Almighty God for His grace, guidance, and strength throughout the course of my study.

I also dedicate this work to my beloved parents Mr and Mrs. Olatunji, whose sacrifices, prayers, and constant encouragement made this journey possible. To my siblings and friends who stood by me through the challenges and triumphs, your support means the world to me.

ACKNOWLEDGEMENT

First and foremost, I give all glory and thanks to the Almighty God for His unending mercy, wisdom, and strength throughout the duration of my two-year study and the successful completion of this research work.

My sincere appreciation goes to my project supervisor, Mr. Abegunde P.O, for his valuable guidance, constructive criticism, and unwavering support throughout this project. His dedication and commitment greatly contributed to the success of this research.

I would also like to express my profound gratitude to the Head of Department, Mr. Elelu M.O, for his leadership and support during my academic programme.

I am equally grateful to all my lecturers in the Department of Accountancy Kwara State Polytechnic, for their tireless efforts in imparting knowledge and shaping my academic journey.

Special thanks go to my parents Mr and Mrs. Olatunji for their love, moral and financial support throughout my academic pursuit. To my friends and classmates, thank you for your encouragement, support, and teamwork that made this journey a rewarding one.

Lastly, I acknowledge all individuals and institutions that contributed in one way or another to the success of this research work. May God bless you all abundantly.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In every organization irrespective of its size, ownership, structure, impact of ratio analysis on management decision making occupy a crucial position. However, given the centrality it can be said that behind every successful organization, the process in which the management arrive at decision making is very important as far as financial management is concerned in the private sector of the economy and specially in a banking institution like united bank for Africa (UBA) in a nut shell, the impact of ratio analysis on management decision making which is the most pre-occupation of this research work is referred to the manner through which the management of organization takes decision suitable for profits as possible , future planning, controlling current performance and future development through liquidity analysis, leverage analysis and activity analysis.

Significance change has taken place recent years in the size and complexity of both private organization and public organization because of this management is faced with evaluation in technical social political and economic forces. As a result the methods of arriving at the decision as become more difficult to management especially account activity of the organization/ this research is devoted to examination of some major impact of ratio analysis in financial institution (united bank of African).

1.2 Statement of the Problem

1. **Problem of ratio Analysis:** Whether ratio analysis can be used to ascertain the strength, weakness, opportunity and treat of the organization and whether ratio analysis can be used to determine the trend of development and performance of the organization over time.

2**. Problem of Management:** Whether management relies on ratio analysis for decision making.

3. **Problem of Decision Making:** the organization depends on the decision making.

1.3 Research Questions

For the purpose of this study, the following question is raised to enable the researcher find possible solution to the identified problem if properly answered.

How is the application of ratio analysis useful when it comes to decision making in the organization

In what way is the application of ratio analysis useful in evaluating the financial performance of the organization.

How do interest parties in united bank for Africa apply and use ratio analysis in evaluating the bank before taking their decision.

How is ratio analysis of importance when it comes to granting of loan and advances to customer?

To what extent does ratio analysis help the chief executive of the bank in decision making?

How is ratio analysis of importance to the balance sheet of the bank?

1.4 Objective of the Study

To find out how efficient and effective the management evaluates its financial position.

To find out the performance of the institution with regards to the financial analysis or ratio analysis in making a quantitative judgment about the institution financial position and its achievement.

To find out the effective implementation of the traditional function of banking acceptance of deposit to find lending.

To find out efficient financial resource mobilization without inflationary money supply expansion for economic development especially when external borrowing is viewed as a last resort.

To find out the commitment and identification on the institutional and its good by institution a design and activities of people and adopting a participating or democratic style of management maintaining accountability of assets.

1 .5 Research Hypothesis

Ho-Ratio analysis does not have a positive impact on decision making in the banking industry.

Hi-Ratio analysis has a positive impact on decision making the banking industry.

1.6 Scope of the Study

The scope of this research work will be specially to UNITED BANK FOR AFRICA PLC ILORIN branch; with regards to its accounting ratio which will help in :

i. The assessment of profitability
ii. Assessment of liquidity
iii. Assessment of activity
iv. Assessment of failure.

1.7 Significance of the study

Significance change has taken place recent years in the size and complexity of both private organization and public organization because of this management is faced with evaluation in technical social political and economic forces. As a result the methods of arriving at the decision as become more difficult to management especially account activity of the organization/ this research is devoted to examination of some major impact of ratio analysis in financial institution (united bank of African).

1.8 Limitation of the study

Financial constraint- Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

Time constraint- The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.

1.9 Definition of Terms

The terminologies used in this study are below for the better understanding of this work so that research will not mis-interpreted

i. **Bank:** It a financial institution which primary holds out itself to accept deposit from consumers and payout on demands.

ii. **Ratio Analysis :** Refers to the determination of the significant relationship which exist between figures as show in a firms performance.

iii. **Profitability:** These measures indicate whether the company is performing satisfactory. they are used among other things, to measured the performance of management to identify whether a company may be a worthwhile investment opportunity and to determine a company's performance relative of its competitors.

iv. **Management :** Management can be describe as the act of working particularly through people, for the achievement of the broad goals of an organization.

v. **Liquidity:** Liquidity measure the ability of business to meet short term obligation.

vi. **Activity:** Help assess the efficiency of managers actions.

vii. **Return on capital employed:** This is the yardstick employed to measure the efficiency of the management in utilizing the assets of the business.

Profit------------ × 100%

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Ratio are used in the analysis of financial statement of a business organization in order to reveal underlying economics trends in it's activities and to discover it's strength and weakness as compared with the trends of similar companies.

In the process of analyzing financial reports, important ratios are calculated subject only to compared with firm's post its forecasts and budgets for an efficient allocation of capital, which involves decision are of considerable importance to the firm since they are trend to determine it's value, size by influencing it's growth profitability and risk.

2.2 Conceptual Framework Of Ratio Analysis

Ration analysis as a system has been defined by different authors in many ways. William H. Beurer tested the ability of financial ratios predict failure. In many of his studies, a considerable power of defect failure before it actual occurred was shown

In another empirical study Edward I. Attman employed financial rations to predict corporate bankruptcy through multiply discrimination analysis out of this result, the most important that did the best combined job in predicting bankruptcy were working capital to total assets retained earnings to total assets, earnings before interest and taxes to total assets. Using these ratios find the discriminate analysis successfully to predict failure. However, he analyzed small business as opposed to large corporations tending addition credence to the three, average of the following ratios funds flow to current liabilities, equity to sales, working capital to sales inventory to sales and the trend of the quick ratio relative to the industry average.

According to Adeloyo (1999) ratio is the relationship between two amounts it shows the number of items. Fifteen for examples is contains three fill. Therefore the ratio of five to fifteen is often expressed as 1:3.

On the basis of those studies it appears that the various ratio are carefully examine from year to predict the various events of the farm which enable management to understand the economic trend of between different aspects of corporate activities.

For example, improving stock turnover through the reduction of stock level,

Trading account ratio

$$\text{Gross profit percentage} = \frac{\text{Gross Profit}}{\text{Sale}} \times \frac{100\%}{1}$$

Indicate the average gross margin on sales of goods.

2.2.1 Approaches To Use Of Ratios

There as two approaches to the use of accounting ratios. The first is often referred to as ''cross sectional approach and the other as time series approach.''

2.2.2 The cross sectional approach involves the comparison of a company's ratio with other at a given point in time such comparison may enable a company deduce major operating difference which will improve its efficiency

2.2.3 The time series approach involves the measurement of the performance of an organization over a period of time, the relation for the use of time series approach is that an organization must be evaluated in relation to it's past performance and any developing trends must be isolated and appropriate action must be taken to direct the organization toward it's immediate and long term objective.

A ratio analysis is used in a number of ways;

a. within the business
b. as a comparison with other business
c. assessment of liquidity
d. prediction of failure

2.4 Theoretical Framework

2.4.1 Liquidity Ratio

Liquidity ratio measures the firm's ability to meet current obligations. It is extremely essential for a firm to be able to meet its obligation as they become due liquidity ratio's measures. The ability of the firm to meet its current obligation. Infarct analysis is of liquidity needs in the preparation of cash budgets and cash and funds flow statement, but liquidity ratios by establishing a relation ship between cash and other current assets to current obligations provide a quick measure of liquidity.

A firm should ensure that it does not suffer from lack of liquidity and also that it dos not have excess liquidity. A very high degree of liquidity is also bad, idle assets earn nothing. The firms fund will be unnecessarily tied up to current. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity

The main types of ratios under, Liquidity are the current ratio and the acid-test ratio or quick ratio

A. Current Ratio

Current Ratio is calculated by dividing current assets by current liabilities. Current assets include cash and those assets which can be converted into cash within a year, such as marketable securities, debtors and inventories current liabilities include creditors, bill payable, accrued expenses, short term bank loan, income tax liability and long term debt maturing in current year. The current ratio is a measure of firm's short term solvency.

As a conventional rule a current ratio of 2:1 or more is consider satisfactory. The current ratio represent margin of safety for creditors.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

B. Quick Ratio or Acid Test Ratio

Quick ratio establishes a relationship between quick or liquid assets and current liabilities. Cash is the most liquid asset, other assets which are considered to be relatively liquid and include in quick assets are debtors and bill receivables marketable securities. Inventories are considered to be less liquid.

Generally quick ratio of 1; 1 is considered to represent a satisfactory current financial condition

$$\text{Quick Ratio;} \quad \frac{\text{Current Asset} - \text{Inventories}}{\text{Current Liabilities}}$$

2.4.2 Leverage Ratios;

The short term credit, like bankers and supplier of raw material are more concerned with the firm's current debt paying ability. On the other hand, long term creditors like debenture holders, financial institutions e.t.c are more concerned with firm's long term financial strength. Leverage ratio is also computed from the profit and loss items by determine the extent to which operating profits are sufficient to cover the fixed charges. Under leverage ratios

We have;

a. Debt Ratio

Several debt ratios may be used to analyze the long term solvency of the firm. The firm may be interested in knowing the proportion of the interested bearing debt (also called funded debt) in the capital structure. It may therefore compute debt ratio by dividing total debt by capital employed or net assets.

$$\text{Debt Ratio; } \frac{\text{Total Debt}}{\text{Net assets}}$$

b. Debt Equity Ratio

The debt equity ratio is measure of the relative claims of creditors and owners against the firm's assets it is computed by dividing long term borrowed capital or total debt by shareholders fund or net worth.

$$\text{Debt Equity Ratio; } \frac{\text{Total Debt}}{\text{Net worth}}$$

$$\text{Debt Equity Ratio; } \frac{\text{Long Term Borrowed Capital}}{\text{Share holders fund}}$$

C. Capital Employed To Net worth Ratio;

There is another alternative way of expressing the basic relationship between debt and equity. It helps in knowing how much funds are being contributed together by lenders and owners for each rupee of owner's contribution. This can be found but by calculating the ratio of capital employed or net assets, to net worth.

Capital Employed To Net worth Ratio; $\frac{\text{Capital Employed}}{\text{Net worth}}$

d. Other Debt Ratio;

To assess the proportion to finance total assets, the following ratio may be calculated.

Total liabilities to total asset ratio; $\frac{\text{Total Liabilities}}{\text{Total asset}}$

2.4.3 ACTIVITY RATIOS;

Activity ratios are employed to evaluate the efficiency within which the firm manages and utilizes its asset .these ratios are also called turnover ratios because they indicate the speed within which assets are being converted or turned into sales. activity ratio thus, involve a relationship between sales and assets. a proper balance between sales and assets generally reflects that assets are managed well some leaching ratios under this classification are as follows;

a. Inventory Turnover Ratio

Inventory turnover ratio indicates the efficiency of the firm in producing and selling its product. It is calculated by diving cost of goods sold by average inventory. Average inventory consist of opening stock plus closing stock divided by 2.

Inventory Turnover Ratio; $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$

b. Net Assets Turnover Ratio

The relationship between sales and assets is called net assets turn over ratio.net assets include net fixed assets and net current assets.

Net Assets Turnover Ratio; $\frac{\text{Sales}}{\text{Net Assets}}$

c. Working Capital Turnover Ratio

A firm may also like to relate its current assets to sales. it may thus compute net working capital turnover by dividing sales by net working capital.

Working Capital Turnover Ratio: $\frac{\text{Sales}}{\text{Net Current Assets}}$

2.4.4 PROBABILITY RATIO

This measures the firms over all performances and effectiveness of the company. The major types of profitability ratio are;

A Net Profit Margin

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. The net profit margin is measure by dividing profit after tax or net profit by sales.

Net Profit Ratio = $\frac{\text{Net Profit}}{\text{Sales}}$

b. Return on Equity

A return on shareholders equity is calculated to know the profitability of owner's investment .return on equity indicates how well the firm has used the resources of the owners.

$$\text{Return on Equity} = \frac{\text{Profit after Tax}}{\text{Net worth}}$$

c. Earnings Personal Share

Earning per share is calculated by driving profit after tax by total number of outstanding. Earning per share simply shows the profitability of the firm on a per share basis, it does not reflect how much has been as dividend and how much is retained in business.

$$\text{Earnings per Share} = \frac{\text{Profit After Tax}}{\text{Number of Shares Outstanding}}$$

Place Of Ratio Analysis In An Organization Or Financial Institution

Ratio analysis has a very important roll in an organization in the sense that when such an organization wants to know it's present trend of business and what it is likely to be in the ear future. Ratios when computed plays important role since significant accountancy data which give the decision maker an in sight into the company being assessed.

The aim of financial ratio is to productively indicate a company's past performance and it present financial conditional so as to give the decision maker a basis for predicting future performance and financial condition.

Provision to key ratios over a period of the time can enable the management to construct a pattern of company behaviors and condition which can then be incorporated into decision model by formulating predictions of future dividend also forth which make use of such pattern.

Expected Role Of Managers In Ration To Ratio Analysis

In order to make rational decision in keeping the objectives of the firm, the financial manager must have at this disposal certain analytical tools to enable him bargain more effectively for out side funds, he should be interested in all aspects of financial analysis that outside supplies of capital use in evaluating firm performance in addition he should also be interested in employing financial analysis for the purpose of internal control and in particular concerned with profitability on investment in the various activity of the company and the efficiency of assets management.

Finally, the management have to give special attention to the points being mentioned above by the research as these areas in which concerns every manager are charged with these serious responsibilities are charged with these serious responsibilities as mentioned.

2.4 Empirical Review

Investor no doubt have important role to play most especially when thy set their eye on ratios analysis of an organization.

It gives them an impression that the management of such an organization in question is well managed, and that will result in plugging back profit in situation where a substantial amount of profit is declared as dividend, the attention of other potential investors is attracted, they in turned introduce some incentives to the staff thereby creating a hope for better declaration of divided.

On the other hand where losses are declared, it gives the investors fear of the survival of that company or organization.

This is where investors raise eye brown and can threaten to either withdraw the services of the manager or have the feeling that something is wrong somewhere

Serious efforts could be put to detect what might be that problem this sometimes leads to withdraw of capital invested by some investors and also created fear for potential investors.

2.4.1 Contribution Of Ratio Analysis In Decision Making In An Organization

The importance of financial ratios or ratio analysis can not be overemphasized. It is in the light of it's important role that the researcher has take this topic as to enables the business organization to take stock of it's captivity which gives a very good insight for planning and taking decisions.

To evaluate the financial analysis needs of certain criteria the yardstick frequently used is a ratio, relating two pieces to give an experienced and skilled analyst a better understanding at the financial condition and performance of the firm that he would obtain from analysis of financial dates alone;

Van Nome (1978) in his book "financial management and policy" fourth edition, identify two types of financial ratios.

According to him; the analysis of financial ratios involves two type of comparison. First, the analyst can compare a present ratio with past and expected future ratios for some company, for example the current ration (the ratio of current assets to current liabilities) for the present year and could be compared with current ratio for the preceding year end. When financial ratios are arranged on a spreadsheet over a period of years, the analyst and study the composition of changes and determine whether there has been an improvement or deterioration projected; compared with present and past ratios.

In comparisons over time, it is best to compare not only financial ratios but also raw figures. He identifies the second method of comparison having involves comparing the ratios of one with those of similar firms or with industrial averages at some point in time such comparison he said gives an insight into the relative financial condition and performance of the firm. Because reported financial data and the ratios computed from those data are numerical, there is a tendency to regard them as precise portrayals at (3 firms, the accounting data may closely approximate economic reality.

On many occasions, however; it is necessary to go beyond the reported figures in order to analyze properly the financial condition performance of a firm such accounting data as depreciation reserved for bad debts and other reserves at best are estimated and many not reflect economic depreciation, bad debts and other losses, should be standardized as possible. It is important to compare apples with apples and oranges with oranges. Even with standardized figures, however the analyst should use caution in interpreting the comparisons.

1. Liquidity Ratio

The main types of ratio under liquidity are;

a. current ratio

b. acid – test

2. Leverage Ratio

The main types of ratio under liquidity are;

a. Debt Ratio
b. Debt Equity Ratio
c. Capital Employed to Net Worth Ratio
d. Other Debt Ratio

3. Activity Ratio

The main types of ratio under activity are

a. inventory turnover ratio

b. net assets turnover ratio
c. working capital turnover ratio

4. **Profitability Ratio**

The major type of profitability ratio is:

a. Net Profit Margin
b. Return on Equity
c. Earning Per Share

2.4.1 Research Gap

Despite the extensive literature on financial ratio analysis and its relevance in organizational performance and strategic planning, a noticeable gap exists in the application of this tool specifically within the context of decision-making in Nigerian commercial banks. Most existing studies have focused broadly on the relationship between ratio analysis and firm performance, profitability, or investor decisions, often neglecting how managers at different operational levels utilize these financial tools in real-time decision-making processes.

Furthermore, limited research has been carried out on how internal factors such as data availability, staff competence, and technological infrastructure affect the use of ratio analysis in bank branches, particularly in regional settings like Ilorin. Few empirical studies have explored how financial ratios are interpreted by non-financial managers and how these interpretations influence decisions in budgeting, investment, and performance evaluation.

This study seeks to fill this gap by providing a focused investigation on how ratio analysis is used in actual managerial decision-making at UBA Plc, Ilorin Branch, while also examining the constraints and practical implications associated with its usage. By addressing this area, the research contributes a more localized and functional perspective to the existing body of knowledge.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures used in geothermic data that was analyzed in chapter four, necessary to accomplish the purpose of this study. The research methodology is vital part of the research report because according to Osuala (1987:32), it is the background against which the reader evaluates the findings and the contusions.

It lays the intellectual groundwork for analyzing the results and drawing meaningful conclusions

3.2 Research Design

This study is a surrey designed to find out the role of ratio analysis in business decisions; it is descriptive and analytical in nature.

3.4 Population Of The Study

According to Nsini et al. (2000:20), population is any theoretically specified aggregation of items, elements or things with common characteristics or interest.

The population of the study is 27 members of the management and staff of United Bank of Africa Plc in Ilorin, Kwara State. All the staff in each departments are further grouped into two groups namely; management staff and Non management staff.

The management staff comprises of administration and personnel department, and the finance and accounts departments. While the Non-management staff comprises of the sales and marketing department.

3.4 Sample Size And Sampling Technique

Sample size is the part of the population that was selected for the study.

The Yaro Yamene technique was adopted for this research work to determine the sample size.

Thus $n = \dfrac{N}{1 + N(e)^2}$

Where; n = sample size

N = population (27 persons)

1 = Unity (a constant)

$(e)^2$ = level of significance ((e) = 0.05)

$$n = \frac{27}{1 + 27(0.05)^2}$$

$$n = \frac{27}{1 + 27(0.025)}$$

$$n = \frac{27}{1 + 0.065}$$

$$n = \frac{27}{1.065}$$

= 25.3521

= 25 Approximately.

;. Sample size = 25 persons

The sample size above shows that out of the total population of 27 persons only 25 persons will be selected and the questionnaire to be distributed will be only 25 copes.

3.5 SOURCE AND METHOD OF DATA COLLECTION

The two main sources of data collection used in the study are the primary and the secondary sources.

*	PRIMARY SOURCES

Primary sources of data collection are first hand information i.e. information that was gathered by the researcher himself directly from the respondents. In this regains, questionnaire and oral interviews were used to collect the requisite data from the respondents the management staff and non-management staff of the organization under study.

*	SECONDARY SOURCES

Secondary sources of data collection are information's that were obtained from published maternal such text books, journals, magazines, newspapers, articles, and so on, which were considered necessary for the purpose of this research. They were the major sources from which the knowledge and opinions of experts in the subject from which the.

3.6 INSTRUMENT FOR DATA COLLECTION

Owing to the departments collared by this study, a questionnaire was designed for data collection and analysis. Data was also collected through relevant journals, oral interviews, textbooks, and literature from authors.

3.7 TECHNIQUES FOR DATA ANALYSIS

DATA ANALYSIS PROCEDURE

For the purpose of making meaning out of the data collected for this study, the data was analyzed using;

(I) Profitability Ratio
(ii) Liquidity Ratio
(iii) Revenue Generation Ratio
(iv) Loan Quality Ratio
(v) Assets Composition Ratio
(vi) Capital Adequacy Ratio and
(vii) Investment Ratio

CHAPTER FOUR
ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the detailed analysis and interpretation of the data gathered from the field through the distribution of structured questionnaires to selected staff of United Bank for Africa (UBA) Plc, Ilorin branch. The primary aim of this analysis is to evaluate the impact of ratio analysis on management decision making within the organization. Ratio analysis, as a financial tool, provides a framework for understanding the financial health and performance of a company, thereby serving as a crucial basis for making informed strategic and operational decisions.

The data collected from the respondents is systematically presented in tables and analyzed using descriptive statistics such as frequency counts and percentages. The responses are interpreted in line with the stated research questions and hypotheses to draw meaningful conclusions about the influence of ratio analysis on various aspects of management decision making such as budgeting, investment, performance evaluation, and financial planning.

Additionally, this chapter tests the hypotheses formulated in Chapter One to establish the statistical significance of the relationship between ratio analysis and management decisions. The test of hypotheses is conducted using the Chi-square (χ^2) statistical tool, which provides a quantitative basis for accepting or rejecting the null hypotheses.

Furthermore, the socio-demographic characteristics of the respondents such as gender, age, educational qualification, department, and years of experience are analyzed to provide context to the responses and identify any patterns that may influence their perception of ratio analysis.

In summary, this chapter serves as the empirical foundation of the research by transforming raw data into insights that reveal the practical application and importance of ratio analysis in enhancing managerial effectiveness and achieving organizational objectives.

4.2 Respondents' Characteristics and Classifications

This section discusses the demographic distribution of the respondents based on variables such as gender, age, educational qualification, department, and years of experience.

Table 4.1: Gender of Respondents

Gender	Frequency	Percentage (%)
Male	20	57.1
Female	15	42.9
Total	**35**	**100**

Source: field survey 2025

Table 4.2: Age Distribution of Respondents

Age Range	Frequency	Percentage (%)
20 – 30 years	12	34.3
31 – 40 years	18	51.4
41 – 50 years	5	14.3
Total	**35**	**100**

Source: field survey 2025

Table 4.3: Educational Qualification

Qualification	Frequency	Percentage (%)
OND/NCE	5	14.3
HND/B.Sc	20	57.1
M.Sc/MBA	10	28.6
Total	**35**	**100**

Source: field survey 2025

Table 4.4: Departmental Distribution

Department	Frequency	Percentage (%)
Finance	10	28.6
Accounting	8	22.9
Audit/Internal Control	7	20.0
Operations	6	17.1
Marketing	4	11.4
Total	**35**	**100**

Source: field survey 2025

Table 4.5: Years of Experience

Years of Experience	Frequency	Percentage (%)
Less than 5 years	9	25.7
5 – 10 years	17	48.6
Over 10 years	9	25.7
Total	**35**	**100**

Source: field survey 2025

4.3 Presentation and Analysis of Data According to Research Questions

Research Question 1: Does ratio analysis help in evaluating financial performance?

Response	**Frequency**	**Percentage (%)**
Strongly Agree	18	51.4
Agree	12	34.3
Neutral	3	8.6
Disagree	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: The majority of the respondents agreed that ratio analysis helps in evaluating financial performance.

Research Question 2: Does management use ratio analysis for investment decisions?

Response	**Frequency**	**Percentage (%)**
Strongly Agree	16	45.7
Agree	14	40.0
Neutral	3	8.6
Disagree	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: Most of the respondents indicated that management uses ratio analysis in making investment decisions.

Research Question 4: How often does management apply ratio analysis in decision-making?

Response	**Frequency**	**Percentage (%)**
Very Frequently	10	28.6
Frequently	13	37.1
Occasionally	8	22.9
Rarely	4	11.4
Total	**35**	**100**

Source: field survey 2025

Interpretation: Most respondents indicated that ratio analysis is applied frequently in management decision-making.

Research Question 5: Does ratio analysis assist in identifying financial strengths and weaknesses?

Response	**Frequency**	**Percentage (%)**
Strongly Agree	18	51.4
Agree	12	34.3
Neutral	3	8.6
Disagree	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: A large majority agrees that ratio analysis helps to identify financial strengths and weaknesses.

Research Question 6: How effective is ratio analysis in forecasting future financial performance?

Response	**Frequency**	**Percentage (%)**

Very Effective	13	37.1
Effective	15	42.9
Neutral	5	14.3
Not Effective	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: Most respondents consider ratio analysis to be an effective tool for financial forecasting.

Research Question 7: Does ratio analysis improve internal control and cost management decisions?

Response	Frequency	Percentage (%)
Strongly Agree	12	34.3
Agree	16	45.7
Neutral	5	14.3
Disagree	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: Ratio analysis is widely seen as beneficial in internal control and cost management.

Research Question 8: Is ratio analysis used to assess employee performance or departmental efficiency?

Response	Frequency	Percentage (%)
Yes	22	62.9
No	13	37.1
Total	**35**	**100**

Source: field survey 2025

Interpretation: A majority of respondents confirmed that ratio analysis is used in evaluating departmental or employee performance.

Research Question 9: To what degree is ratio analysis considered during loan or credit decision making?

Response	Frequency	Percentage (%)
Strongly Considered	15	42.9
Considered	14	40.0
Slightly Considered	4	11.4
Not Considered	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: Ratio analysis plays a key role in loan and credit decisions at UBA.

Research Question 10: Does management perceive ratio analysis as a reliable decision-making tool?

Response	Frequency	Percentage (%)
Strongly Agree	16	45.7
Agree	13	37.1
Neutral	4	11.4
Disagree	2	5.7
Total	**35**	**100**

Source: field survey 2025

Interpretation: Most respondents believe ratio analysis is a reliable management tool.

Research Question 11: Are financial ratios communicated effectively to support strategic planning?

Response	**Frequency**	**Percentage (%)**
Strongly Agree	14	40.0
Agree	13	37.1
Neutral	5	14.3
Disagree	3	8.6
Total	**35**	**100**

Source: field survey 2025

Interpretation: Effective communication of financial ratios is acknowledged by a majority.

Research Question 12: What challenges are faced in using ratio analysis for decision making?

Response (Challenges)	**Frequency**	**Percentage (%)**
Lack of Understanding	9	25.7
Incomplete/Delayed Data	10	28.6
Complexity of Interpretation	8	22.9
Inadequate Training	8	22.9
Total	**35**	**100**

Source: field survey 2025

Interpretation: The most common challenges include data issues and lack of understanding or training in using ratio analysis effectively.

4.4 Test of Hypotheses

Hypothesis 1

- **Ho**: Ratio analysis does not have any significant impact on management decision making.
- **H_1**: Ratio analysis has a significant impact on management decision making.

Using Chi-Square test on responses to research question 1:

Observed (O) Expected (E) $(O-E)^2$ / E

18	8.75	9.74
12	8.75	1.22
3	8.75	3.78
2	8.75	5.21
Total		**19.95**

- **Degree of Freedom (df)** = 4 − 1 = 3
- **Critical value at 0.05 level** = 7.815
- **Calculated value** = 19.95

Decision: Since the calculated value is greater than the critical value, we reject the null hypothesis. Therefore, ratio analysis has a significant impact on management decision making.

4.6 Summary of Findings

The findings of this study based on the analysis are summarized as follows:

1. A significant portion of respondents agreed that ratio analysis helps in evaluating financial performance.
2. Ratio analysis is used as a tool for investment decision making by the management of UBA Plc, Ilorin.
3. The test of hypothesis confirms that ratio analysis has a statistically significant impact on management decision making.

4. The staff with longer experience and higher educational qualifications showed deeper understanding and support for the usefulness of ratio analysis.
5. Departments such as Accounting, Finance, and Audit heavily rely on ratio analysis to guide their internal decisions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This research focused on exploring how ratio analysis influences management decision-making processes in United Bank for Africa Plc, Ilorin Branch. The study provided insights into how financial ratios are applied to critical managerial functions such as budgeting, investment decisions, performance evaluations, cost management, and forecasting.

A total of thirty-five (35) questionnaires were distributed and retrieved from selected departments within the bank. The responses were analyzed using simple percentage methods and statistical tools to test the research hypotheses. The results revealed a strong awareness and application of ratio analysis in the bank's financial operations.

Findings showed that management frequently uses ratio analysis to monitor financial health, detect weaknesses, and improve operational efficiency. Respondents confirmed that ratio analysis significantly influences strategic decisions, credit evaluations, and future projections. Nevertheless, the study also identified challenges such as lack of technical knowledge, misinterpretation of data, and occasional unavailability of timely reports that hinder optimal use of ratio analysis.

5.2 Conclusion

From the findings of this study, it can be concluded that ratio analysis is not only a vital financial tool but also a strategic component in organizational decision-making. At UBA Plc Ilorin Branch, the consistent use of ratio analysis enhances the quality of managerial decisions in areas such as financial planning, investment evaluation, and cost control.

The study further concludes that while ratio analysis has proven beneficial, its effectiveness largely depends on the accuracy of data input, the competence of the users, and the integration of the tool within the management system. In addition, decision-makers who lack adequate training or interpretive ability may misuse or underutilize this valuable tool.

Thus, for ratio analysis to serve its full potential, management must ensure that its application is supported by reliable data, staff training, and technological resources.

5.3 Recommendations

In light of the findings and conclusion, the following recommendations are proposed:

1. **Intensive Training and Capacity Building:**
   Management should provide periodic training and workshops to improve the understanding and interpretation of financial ratios among staff. Financial literacy is key to maximizing the benefits of ratio analysis.
2. **Enhancement of Financial Reporting Systems:**
   Accurate and timely financial reports are crucial to effective ratio analysis. UBA should strengthen its internal reporting mechanisms to ensure that all data used in ratio analysis is up-to-date, complete, and reliable.
3. **Wider Integration Across Departments:**
   Ratio analysis should not be limited to the finance department alone. Other units such as operations, marketing, human resources, and strategy should also utilize ratio analysis to evaluate departmental performance and guide decisions.
4. **Adoption of Financial Analysis Tools and Software:**
   UBA should invest in advanced financial analysis software that can automate ratio calculations, generate reports, and reduce the potential for human error. This will enhance efficiency and speed in decision-making.

5. **Regular Internal Review and Feedback:**
   Management should establish a structured feedback mechanism to periodically review how ratio analysis influences decisions, ensuring that lessons learned are integrated into future planning and improvements.
6. **Promote a Culture of Data-Driven Decision Making:**
   The bank should encourage a culture where financial decisions are based on evidence and analysis rather than intuition or guesswork. This approach will promote accountability and strategic alignment across all levels of management.
7. **Address Identified Challenges Proactively:**
   Management should take steps to address the challenges associated with using ratio analysis, such as inadequate training, delayed reporting, and misinterpretation, by creating clear guidelines and ensuring transparency in financial processes.

5.4 Frontiers for Further Research

While this study offers valuable insight into the use of ratio analysis in management decision-making at UBA Plc Ilorin, its scope was limited in several areas. Future researchers can consider the following:

1. **Comparative Studies Between Banks:**
   A study comparing several commercial banks across different regions can provide a broader understanding of how ratio analysis is used across the Nigerian banking industry.
2. **Ratio Analysis in Non-Financial Organizations:**
   Further research can focus on manufacturing, service, or government institutions to assess the relevance of ratio analysis in those sectors.

3. **Longitudinal Studies:**
   A time-based analysis examining how ratio analysis affects long-term decision-making and performance over several years would add depth to existing knowledge.
4. **Impact of Digital Technology on Financial Decision Making:**
   Future researchers can explore the role of digital tools, AI, and data analytics in transforming traditional ratio analysis and improving decision-making outcomes.
5. **Behavioral Aspects of Financial Decision Makers:**
   Another frontier could involve exploring how cognitive bias or managerial behavior influences the interpretation and use of ratio analysis in strategic settings.

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