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IMPACT OF LIQUIDITY RATIO ANALYSIS ON FINANCIAL DATA QUALITY (FIELD STUDY IN COMMERCIAL BANKS – WEST KORDOFAN – SUDAN)

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Abstract:

This study aimed to identify the impactof liquidity ratio analysis on financial data quality (Field Study in Commercial Banks – West Kordofan - Sudan). The study tested one hypothesis which are: There is significant relationship between liquidity ratio analysis and financial data quality of commercial banks. Researcher distributed (40) questionnaire forms among some of the workers in the field selected randomly (34) Forms were collected as 85%. (SPSS) used for analyzing data. The study reached some findings from which: Liquidity ratios analysis contributes to the production of high quality information in commercial banks, Liquidity ratios analysis contributes to the Relevance of accounting information in commercial banks, Liquidity ratios analysis contributes to the reliability of accounting information in commercial banks, the study recommended following: there is necessity to analyze the financial ratios combined to achieve the objectives of commercial banks, Interest in analyzing cash flows to reach the quality of accounting information.

Keywords: (Liquidity Ratio Analysis, financial data quality)

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1. Introduction

Analysis of the financial ratios of liquidity focuses on the analysis of the statement of financial position and the cash flow statement. It is important to analyze short-term assets and short-term liabilities to help determine the financial position of the company in terms of repayment of short-term debt, thus, this study was conducted to investigate the impact of analyzing liquidity ratios on the quality of financial information in commercial banks - West Kordofan State.

2. The problem: -

Commercial banks are facing the liquidity risk, problem of study the following questions: - Is there a relation between liquidity ratio analysis and financial data quality of commercial banks? Is there a relation between working capital analysis and financial data quality of commercial banks? Is there a relation between cash flow analysis and financial data quality of commercial banks?

3. The Objectives: -

a. To identify the liquidity analysis in west kordofan commercial bank.

b. To study the liquidity ratios analysis methods and financial data quality.

c. To find out the impact of liquidity analysison financial data quality.

4. Hypothesis: -

To achieve the objectives of the study were tested onehypotheses flowing:

a. There is significant relationship between liquidity ratio analysis and financial data quality of commercial banks.

5. Theoretical Framework

Concept of Liquidity

Liquidity it is vital to the survival of a business for there to be sufficient liquidresources available to meet maturing obligations (that is, debts that must be paid in the relatively near future). Some liquidity ratios examine the relationship between liquid resources held and payables (creditors) due for payment in the near future. If you are extending credit to a customer or making a short-term bank loan, you are interested in more than the company's leverage. You want to know whether it will be able to lay its hands on the cash to repay you. That is why credit analysts and bankers look at several measures of liquidity**(Peter at all ,2006).** Liquid assets can be converted into cash quickly and cheaply. Think, for example, what you would do to meet a large, unexpected bill. You might have some money in the bank or some investments that are easily sold, but you would not find it so simple to convert your old sweaters into cash. Companies also own assets with different degrees of liquidity. For example, accounts receivable and inventories of finished goods are generally quite liquid.

Liquidity Ratios

Liquidity ratios measure the firm's ability to pay off its maturing short term obligations. The broadest view of liquidity is captured in the current ratio**(SAMUEL,2001)**. The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short-term financial strength/solvency of a firm. Liquidity ratios give an indication of a company's ability to meet short-term obligations. These ratios give some insight into the present cash solvency and are a measure of the company's ability to meet adversity. Generally, liquidity ratios look at the short-term assets or resources and the short-term debts and obligations **(STEVEN M at all 2006)**. Liquidity refers to the speed in the transfer of assets into cash, liquidity ratios primarily focus on the cash flows, it is an indicator to measure a company's ability to meet its short-term liabilities. Liquidity management is achieved through the effective use of assets **(Robinson et al., 2015)**. Liquidity ratios include the following:**-**

a. Net-Working-Capital-to-Total-Assets Ratio

Current assets include cash, marketable securities,inventories, and accounts receivable. Current assets are mostly liquid. The difference between current assets and current liabilities is known as net working capital. Since current assets usually exceed current liabilities, net working capital is generally positive. For Lowe's**, (Richard A, at all,2011).**

Current Ratio:

The current ratio is just the ratio of current assets to current liabilities:

Current ratio = current assets/ current liabilities

b. Quick ratio:

Notice that using cash to buy inventory does not affect the current ratio, but it reducesthe quick ratio. Again, the idea is that inventory is relatively illiquid compared to cash.Inventory is often the least liquid current asset. It'salso the one for which the book values are least reliable as measures of market value, because the quality of the inventory isn't considered. Some of the inventory may later turn out to be damaged, obsolete, or lost. More to the point, relatively large inventories are often a sign of short-term trouble. The firm may have overestimated sales and overbought or overproduced as a result. In this case, the firm may have a substantial portion of its liquidity tied up in slow-moving inventory. To further evaluate liquidity, the quick, or acid-test, ratio is computed just like the current ratio, except inventory is omitted**(Stephen A, at all .2003)**:

Quick ratio: (Current assets – Inventory)/Current liabilities

c. Other Liquidity Ratios We briefly mention three other measures of liquidity. A veryshort-term creditor might be interested in the cash ratio: -

Cash ratio =cash / current liabilities

Net working capital to total assets = working capital / Total assets

interval measure:Current assets / Average daily operating costs

Financial data quality:

Data quality concepts define the characteristics of useful accounting information basic rules to be used to assess the quality of accounting information. This leads to identification to assist officials in the development of accounting standards, and assistPreparation of financial statements in evaluating accounting information that results from the application of alternative accounting methods, and to distinguish between what is considered necessary and nullifiable. The usefulness of information must be evaluatedBased on the objectives of the financial statements on which interest is based on beneficiary assistance the main externalities in decision-making relating to enterprises. Accountants must be directedTheir attention to these beneficiaries should also be directed to the preparation of financial statementsHelp them make their decisions**(Munther,2009)**.In order for the accounting information extracted from the financial statements to be useful to the users of these lists, certain characteristics must be met to the existence of standards and criteria that make the accounting information useful to users of that information in order to achieve the desired objectives**(Fouad,2002,2003)**.

Characteristics of Accounting Information

Quality of information concepts are the main characteristics of useful accounting information. These characteristics will be of great benefit to both those responsible for setting appropriate standards and those responsible for financial reporting in assessing the quality of information produced by applying methods and methods. Alternative Accounting**(Youssefm2002)**. One of the most important characteristics of the accounting information identified by the US Financial Accounting Standards Board**(Hendriksen ,1992)**:

a. **Relevance:** Importantly, the level of quality of information does not depend solely on subjective characteristicsof information (relevance and reliability) but also on characteristics of decision-maker's users of information).Relevance"Means a logical association between the information and the decision is subject studying"**(Abbas,1990)**

b. **Reliability:** Can rely on information and trust also required the availability of three sub-properties are: honesty in representation, the ability to verify information, neutrality of information.

6. Results & Discussion:

The study sample includes Commercial Banks – West Kordofan - Sudan. The researcher distributed (40) questionnaire forms among some of the workers in the field selected randomly (34) Forms were collected as 85%. (SPSS) used for analyzing the relevant data. The researcher used statistical methods following: frequencies, percentages, median, and Chi-Square test the hypothesis.

Table1: Presents the respondent's demographic characteristics. The respondents' ages between (25 and less than 40 years) is the highest which represents (50%) followed by respondents' those between (less than 25 years and 40 and less than 55 years) which represent (25%) then the respondents' ages (40 and less than 55 years) who represent (18%). Lastly, the respondents' ages (55 years and more) who represents (7%). Regarding the respondent's job title, the majority of

them were Accountants who represent (58%), followed by managers (10%) and lastly, the respondents job title Auditors who represent (07%). Concerning the respondents who have educational level, the majority of them were graduates who represent (60%), followed by the level of Post-graduates who represent (25%). Lastly Secondary- graduates who represent (15%). As for the length of respondents' working experiences. The table shows that respondents' whom have worked (less than 5 years) and who worked for (6 to 10 years) were the same ratio who represent (78%) followed by those work (11 to 20 years) who represent (22%).

Table2: Frequency Distribution and Percentage of the Views of the Sample to the Hypothesis Phrases. Through Table 2 the researcher observes that the entire sample agrees with the hypothesis phrases.

Table4: Through table 4, the level of significance Chi-Square test (.000) less than the significance level 0.05, This shows that There is significant relationship between liquidity ratio analysis and financial data quality of commercial banks., therefore the hypothesis is not achieved.

Table1: Presents the Respondent's Demographic Characteristics

Variable	**Particular**	**Frequency**	**Percent**
Age	less than 25 years	10	25.00
	25 and less than 40 years	20	50.00
	40 and less than 55 years	07	18.00
	55 years and more	03	07.00
	Total	**40**	**100.00**
Job Title	Accountant	23	58.00
	Manager	10	25.00
	Auditor	07	17.00
	Total	**40**	**100.00**
Educational Level	Secondary- graduate	06	15.00
	Graduate	24	60.00

	Post-graduate	10	25.00
	Total	**40**	**100.00**
Experience	Less than 5 years	18	45.00
	6 to 10 years	13	33.00
	11 to 20 years	09	22.00
	Total	**40**	**100.00**

Spss data 2017.

Table 2: Frequency Distribution and Percentage

Phrases	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Analysis of liquidity ratios helps to achieve the quality of accounting information	09 %22.00	25 %63.00	03 %07.00	02 %05.00	00 %00.00	40 %100
Analysis of the trading ratio helps to achieve the Relevance.	08 %20.00	18 %45.00	10 %25.00	04 %10.00	00 %00.00	40 %100
Analysis of trading ratio helps to achieve reliability	09 %22.00	12 %30.00	12 %30.00	05 %13.00	02 %05.00	40 %100
Rapid trading analysis helps to achieve Relevance	00 %00.00	05 %13.00	07 %17.00	24 %60.00	04 %10.00	40 %100
Rapid trading analysis helps to achieve reliability.	00 %00.00	19 %48.00	10 %25.00	10 %25.00	01 %02.00	40 %100
Analysis of cash and cash equivalents helps to achieve Relevance	06 %15.00	18 %45.00	10 %25.00	04 %10.00	02 %05.00	40 %100
Analysis of cash and cash equivalents helps to achieve reliability	12 %30.00	18 %45.00	02 %05.00	08 %20.00	00 %00.00	40 %100
The cash flow analysis helps to achieve the Relevance	15 %37.00	10 %25.00	09 %23.00	04 %10.00	02 %05.00	40 %100
Cash flow analysis helps to achieve reliability	24 %60.00	09 %23.00	07 %17. 00	00 %00.00	00 %00.00	40 %100

Spss data 2017.

Table 3: Frequency Distribution and Percentage

Phrases	**Median**	**explanation**	**Chi-Square**	**df**	**Asymp. Sig**
Analysis of liquidity ratios helps to achieve the quality of accounting information	4	**Agree**	112.200	4	.000
Analysis of the trading ratio helps to achieve the Relevance.	3	**Neutral**	109.033	4	.000
Analysis of trading ratio helps to achieve reliability	4	**Agree**	204.090	4	.000
Rapid trading analysis helps to achieve Relevance	4	**Agree**	198.612	4	.000
Rapid trading analysis helps to achieve reliability.	4	**Agree**	218.021	4	.000
Analysis of cash and cash equivalents helps to achieve Relevance	3	**Neutral**	233.099	4	.000
Analysis of cash and cash equivalents helps to achieve reliability	5	**Strongly Agree**	201.823	4	.000
The cash flow analysis helps to achieve the Relevance	5	**Strongly Agree**	109.000	4	.000
Cash flow analysis helps to achieve reliability	5	**Strongly Agree**	197.104	4	.000

Spss data 2017.

Result: -

1- Liquidity ratios analysis contributes to the production of high quality information in commercial banks.

2- Liquidity ratios analysis contributes to the Relevance of accounting information in commercial banks.

3- Liquidity ratios analysis contributes to the reliability of accounting information in commercial banks.

Recommended:

1- there is necessity to analyze the financial ratios combined to achieve the objectives of commercial banks.

2- Interest in analyzing cash flows to reach the quality of accounting information.

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