Lending decision making and financial information: the usefulness of corporate annual reports to lenders in Botswana

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Abstract:

This study sought to determine the usefulness of annual report information to lenders in Botswana with a view to establishing whether users of financial statement information derive any utility from information presented in the Corporate Annual Report (CAR). The findings on the basis of analysis of responses from seven lenders suggest that financial statement information is required by formal lenders in making the lending decision. The most recent Annual Report (AR) appears to be the most favoured. Formal lenders in Botswana make greater use of the income statement than other components of the annual report. Finally, formal lenders in Botswana regard the audit report as being important to their lending decisions. Notes to the financial statements are not particularly used by these institutions. Also not used is the report from the chairman or directors.